

3. Strategies and management structure

From its inception, Centrelink was subject to several driving forces and constraints. Its enabling legislation (CSDA 1997a) described the new agency's functions as providing services in accordance with service arrangements, functions conferred under other legislation or under direction from the minister and anything else related to the performance of its functions. The accompanying second reading speech (Ruddock 1996:7623) noted that the organisation was expected to expand on the delivery of income security payments and services for the DSS and provide 'an administrative framework for integrating access to Commonwealth services by consolidating services so that, where possible, people can get [the] help they need in one place'. Additionally, the government envisaged better and more efficient and effective service to individuals and the community from an integrated, customer-focused organisation.

Despite its reform agenda and philosophy, the Howard Government did use this opportunity to restructure the Public Service to commercialise, corporatise or privatise the welfare service delivery function, presumably because it contained 'some of the most sensitive social responsibilities of Government' (Ruddock 1996:7623). Indeed, it described the CSDA as a core part of the government's operations. Still, it did make a significant financial impost in the form of additional efficiency dividends as well as introducing the spectre of competition through its service-wide contestability policy, which meant that the government could look at alternative providers if Centrelink underperformed.

As noted in Chapter 2, the major issues facing the new organisation included achieving government policies and outcomes, providing existing DSS services, integrating the CES and other functions, becoming more customer orientated, simplifying and streamlining services and improving performance in terms of operational efficiency and effectiveness within a purchaser-provider arrangement with departments. Implementing these changes needed to take account of organisational culture, decision-making processes, business development and long-term positioning of the agency. While the DSS had developed a comprehensive planning regime during the 1990s, this menu of change presented planning and organisational design challenges for Centrelink.

This chapter examines how Centrelink's planning strategies and structures developed in its formative years. It also reviews adjustments in strategic directions and how the organisation confronted changing circumstances and pressures.

Formulating strategies for Centrelink

From the outset, Centrelink planners implemented strategic planning concepts and processes. This meant considering political and legislative mandates and stakeholders' expectations against changing corporate environments and the newly constituted organisational resources and structures. The intention was to develop suitable corporate, business and functional strategies to ensure survival and growth. To assist this process, a Business Development Group was established early in Centrelink's existence to examine strategic options.

Viewed against the options for strategies to provide the basis for coordinated and sustained efforts for meeting long-term business objectives (Pearce and Robinson 2000), Centrelink selected a combination of strategies including concentrated growth, market and product development, innovation, horizontal and vertical integration, concentric diversification and strategic alliances. Concentrated growth involves directing resources into profitable growth areas of particular products in particular markets. It might be unusual to discuss profit in a public agency, however, the idea of market penetration for Centrelink's operations related to spin-off products or services for third parties with the potential to generate revenue apart from purchaser funding as long as those products or services were acceptable to the government. Innovative strategies were also applicable in the use of technology to provide more channels to access services as well as improving staff and systems efficiency in service delivery. Horizontal strategies for Centrelink meant consolidating support functions to create shared services or even outsourcing some corporate support, including human resources management and IT infrastructure, with the aim of reducing overheads. Concentric diversification usually involves a departure from the existing base of operations and building an internally separate business. For Centrelink, this could apply to specific infrastructure and processes for utilities that had common customers with Centrelink whose payments could be deducted from Centrelink's income support payments to those customers for a fee¹ (Pearce and Robinson 2000:251–63).

Arguably, growth for a public agency might not be a socially desirable alternative and the ideal business strategy for Centrelink might have been liquidation. Or, as Hubbard (2000:131) was later to argue, Centrelink's business strategy should focus on 'designing and delivering products and services with optimum efficiency and effectiveness. The concentration should be on improving internal value chain activities rather than concern with the development of new products and services in order to grow.' It is likely that Centrelink's purchaser departments would have agreed with this sentiment. The notion that Centrelink was immune to the policy lessons and subsequent political advantage it derived from its contacts with customers, communities and the government made it unlikely that

Centrelink would work towards its own demise. By building its knowledge base, it would be imperative that it used growth to sustain its value-added capacity.

Taking these several factors into account, the CEO and the board envisaged a corporate direction for Centrelink containing the three evolutionary stages discussed in Chapter 2: cultural change and improving customer service; building on progress, finally developing new service ideas and transforming service delivery (Vardon 1998d) with a new service model; and acquiring major new business and consolidating earlier programs. These strategic directions needed detailed planning to reset the course of the agency towards its new destination. The following discussion outlines these developments.

Planning and building the strategic framework

Precursor: DSS planning

The DSS had developed a model of strategic management between 1990 and 1997, which left numerous planning legacies for Centrelink. The DSS initially based its portfolio program on a 10-year strategic outlook, but events had overtaken the original plans and short-term issues captured or diverted the attention of executive and business-level managers. Also, the DSS retained a primary focus on annual program or business plans to coincide with budget cycles. Nevertheless, the program planning process enabled staff to develop clearer program objectives and performance indicators, which provided the benchmarks for subsequent program evaluations. The department conducted elaborate multi-level planning to translate strategic plans into shorter-term business and functional-level work plans.

Throughout this period, the DSS stressed the value and utility of technology, information and reporting systems to assist operations at all levels of the organisation. The same attention to detail was taken with organisational design to support the network; however, the DSS directed its objective setting to existing structures rather than aligning service delivery network structures with portfolio strategies. The organisation retained segmented program delivery divisions in its national headquarters through the early 1990s while operational units (areas and regions) worked to combined program structures to facilitate local customer service. This infrastructure provided a pragmatic solution to the perennial policy/administration problem but perpetuated the fragmentation and complexity of the performance-management system.

Nevertheless, DSS strategic and business-level planning in the 1990s inculcated a culture informed by highly structured procedures and processes. This awareness provided a sound base for Centrelink strategists and planners and enabled a common understanding in Centrelink and the DSS of the nature of hierarchical planning needs in the newly established agency. This understanding was critical to the development of initial output performance indicators and

standards within purchaser–provider agreements. The DSS experience meant that most of Centrelink’s founding executives and its staff had participated, to some degree, in formulating strategic plans for a large public policy and service delivery organisation. Additionally, the new CEO came with her own extensive background in public sector planning and practice.

This experience, combined with a clear message from the government to establish a different, more customer-oriented service organisation, stimulated Centrelink’s planners to formulate a ‘continuation-transformation’ strategy aimed at creating a viable, long-term business entity. The *CSDA Act 1997* empowered the Centrelink board to decide the ‘goals, priorities, policies and strategies’ and the CEO was asked to prepare a strategic plan for Centrelink as the vehicle for meeting its legal obligations.

Centrelink phase one, 1997–98

Vardon and her deputy, Ross Divett, selected Carmen Zanetti as the inaugural chief strategist to help them set a new direction for the organisation. Zanetti (1998) had been influential in the design and development of the new agency in 1996–97. She approached strategy creation as an inclusive process, obtaining information from local and overseas sources and discussing concepts with a wide range of government and private sector operatives. She recalled that the main driver in building the strategic framework for Centrelink was the need to make the shift from a transaction and procedurally based culture to one that focused on customers, streamlining and integration and achieving significant efficiencies. The board was instrumental in bringing financial discipline and a focus on outcomes to the process and highlighting issues about managing relationships with Centrelink’s clients. The pivotal architects of the framework, however, were acknowledged to be Vardon and Divett.

All existing strategic tasks and major activities flowing from the pre-agency arrangements were included in the draft CSDA strategic plan. The board agreed to a strategic framework for the period 1997–2002. The notion of local customer service improvement plans (CSIPs) within the planning hierarchy was introduced as a way of promoting strategic policy alignment throughout the organisation. The resulting strategic plan (Centrelink 1997) contained a five-year program designed to focus and guide staff efforts to:

- achieve the government’s policies and outcomes
- develop the identity, culture and ‘brand value’ of the new organisation
- improve operational decision making and business performance
- enhance business development and long-term positioning
- establish systems to improve the quality, efficiency and innovation of customer service.

Centrelink planners envisaged the organisation operating within renewable partnerships with government departments to provide services to the Australian public. The overarching context was that Centrelink was accountable to the portfolio ministers and parliament for efficient and high-quality services, and for the integrity of its service to its customers. Centrelink was bound by the contractual discipline of purchaser–provider arrangements, as well as intra-governmental contestability and potential competition in the marketplace. To survive as a provider, Centrelink needed to deliver consistently high-quality service at highly competitive prices. In the event, because of the complex and sensitive nature of the portfolio, the government allowed some leeway in transition and announced that Centrelink was the preferred central delivery organisation for government services. This diminished the immediate threat of divestiture through contestability.

The organisation’s monopoly–monopsony status was accompanied by some severe financial imposts. The agency received a special efficiency dividend designed to harvest the savings of combining the DSS and DEETYA networks amounting to more than \$1 billion over five years. The obvious area for reductions was in Centrelink’s running costs, with its high staffing salaries and associated costs. Centrelink instigated a program of voluntary redundancies that, when combined with natural attrition, achieved overall staffing reductions of up to 20 per cent, or about 4000 staff. To maintain service levels and quality in the wake of these losses, it was decided to adopt more efficient processes and to make more innovative use of technology, especially IT.

Against this background, the agency established a suite of strategic directions comprising corporate goals, a vision and a mission as key elements of its strategic planning processes. It also formulated strategies designed to meet increasing community expectations of government services, especially about having ready access to reliable and responsive services. Centrelink sought to link its services, personalise solutions and to broker information on behalf of the community and other agencies. It aimed to improve the convenience of services beyond the usual contact modes with customers and to provide information for a range of organisations through online facilities as well as through its offices, mobile services, an extensive call centre network and other interactive services. The master plan was to deliver services more efficiently and cost effectively, provide ethical and accountable services and observe all laws (Centrelink 1997:8).

The *Centrelink Strategic Framework, 1997–2002* was built on the understanding that the agency’s principal commitments were to its customers, employees and client departments. First, the agency looked to provide guidance, to listen to its customers and to be responsive in finding solutions and to excel in service delivery through innovation and effective use of IT. The marketing language declared that customer contact would be ‘welcoming, friendly, fair, courteous

and respectful' (Centrelink 1997:9). As well, the organisation aimed to provide correct and current information, assessment, referral and payments to its customers, making certain that they understood their obligations in receiving services and payments. Over the years, accuracy or rather the lack of it in these areas had produced unfavourable press and parliamentary questions for DSS ministers. As an improvement measure, the organisation was looking more frequently for feedback on service delivery and Centrelink customers would need to be satisfied with the level of knowledge of Centrelink staff and be confident that staff advice and the quality of service were accurate and consistent. There was also to be a greater emphasis on customers' rights to privacy and holding personal information in confidence.

Second, in the best traditions of the human resources management maxim that 'people are our greatest asset', Centrelink wanted to keep its staff enthusiastic about the organisation's goals. Commitments to employees included creating an environment in which people wanted to come to work; providing a satisfying and effective workplace; training and staff development, recognising that employees needed appropriate skills and knowledge to meet expected performance and customer service (an area of criticism contained in previous reviews of the DSS); and continual involvement in designing and refining business practices and processes. People-management planning was to be integrated with the overall strategic directions for the organisation.

Third, Centrelink acknowledged the importance of establishing and maintaining its commitment to its client departments. These commitments were to be reflected in the BPA protocols and to include maintaining a performance-orientated organisation focused on achieving client-department outcomes, being responsible for providing value for money and cost-efficient services, being responsive to the needs of client departments with high-quality, appropriate and timely information and being available to all other levels of government and community organisations for service delivery.

The 1997 framework set out multi-phased targets to be met in 18 months, three years and five years respectively for sub-components of each of the categories: stakeholder relationships, customer and community relationships, staff culture and service delivery support. On the basis of the application of the balanced scorecard in large public and private organisations around the world (Kaplan and Norton 1992), Centrelink's executives saw this approach, discussed later in this chapter, as a useful means to help define, record and manage corporate performance across the six goals using best-practice and first-choice criteria. The strategic directions were to be reviewed annually to ensure that they provided a sound and current basis for annual business plans and programs (Centrelink 1997:19–24).

Following on from the strategic directions, and included in the same framework document, the Centrelink strategic plan spelled out key strategies and actions to implement the basic corporate thrusts. The plan detailed business outcomes and strategies centred on Centrelink becoming the 'first choice of governments for the provision of government service for the next five years' (Centrelink 1997:25). Each goal—business development, customer service, people, cost reduction, innovation and best practice—was elaborated in terms of high-level performance measures and accompanying strategies and activities to achieve the goal in the next two years.

Overall, the 1997 strategic framework was a transitional blueprint for the newly established organisation. It reflected the planning lessons of its antecedent departments, the DSS in particular, and introduced commercial concepts and content to indicate its new status as a provider agency. It was a groundbreaking publication that signalled the transformation of the organisation from a traditional public sector body to a more business-orientated agency. In particular, it demonstrated the change in strategy and culture to meet new ambitions and goals.

Consolidating corporate strategies, 1998–2003

The experience of its establishment year caused the Centrelink board to reflect on its initial performance, review its strategic pronouncements and publish a revised framework (Centrelink 1998b). The new document contained two major sections entitled 'Our business' and 'Our future' and expanded on purpose, vision, goals and other strategic direction elements for an organisation depicted as one of the 'largest business operations in Australia' (Centrelink 1998b:22).

Performance against each of the agency's six major goals and key strategies for 1997–98 was shown in Centrelink's annual report (Centrelink 1998a:43). While the organisation set ambitious targets for itself, it had built on a historical foundation of service delivery and it was not surprising that it regarded its first public report card as highly satisfactory (Centrelink 1998a:41–89).

The agency evaluated its service delivery approach and foreshadowed significant developments involving brokered solutions, service offers and other holistic means for meeting customer demands and client-department outcomes. IT solutions in the form of electronic service delivery were expected to play a major role in changing existing processes.

A major change affecting Centrelink and its relationships with clients during this period was the government's move to implement accrual budgeting. The 1999 federal budget presented appropriations in accrual budget format for the first time and required agencies and authorities to describe their planned program outcomes and to specify prices for the outputs that would contribute to those outcomes. Organisations were given at least 12 months' notice that they would

be required to set out the performance information needed to manage outputs and to monitor real outcomes. Centrelink's major client department, Family and Community Services, subsequently redefined its program structure into an outcomes structure comprising three classes: stronger families, stronger communities and economic and social participation. Each outcome contained a series of output groups replacing the previous sub-program payments or service categories.

In response, Centrelink developed a simplified outcome and output structure. As a portfolio unit, the agency professed a single outcome—effective delivery of Commonwealth services to eligible customers—and a single output applicable to each of its client departments as: efficient delivery of services to eligible customers (DFaCS 1999). The 2001 annual report shows the relationship between Centrelink's and its clients' outcomes, reflecting the wide range of outputs delivered by Centrelink.

Consolidation and growth, 2001–06

In its next strategic framework (Centrelink 2001b), the organisation published a list of achievements for the previous three years as evidence of the success of its program of continuous improvement in performance and service delivery. Centrelink also expanded the scope and content of its framework.

- The strategic directions for 2001–06 (Centrelink 2001b) built on previous statements of purpose and aspiration as well as introducing notions of risk management and listing achievements of the first three years of operations. (An extract of planned strategies and outcomes for each corporate goal is in Appendix 3.)
- A three-year business plan with integrated sets of projects was included to improve organisational focus and alignment. Eight business plan objectives were presented² and the initiatives accompanying these were expected to lead to 17 concrete transformations of Centrelink's service delivery systems and processes (Centrelink 2001b:3). The theme for the business plan was 'delivering today, transforming tomorrow'.
- The mechanism for operationalising the business plan objectives rested with business improvement plans, which would be developed by 'each NSO [National Support Office] team, each area and the Call Centre network' (Centrelink 2001b:2). A separate booklet provided guidance on business improvement plans in linking local initiatives and operational activities and business objectives, which themselves were manifestations of the strategic plan's outcomes.

This plan revealed integrated Centrelink planning for three distinct organisational levels: strategic planning covering the longer term (to at least five years) and direction for the whole organisation and its macro and business environments;

business/tactical planning focusing on medium to short-term priorities, dedicated projects and activities for the next three years; and operational planning to assist managers with short-term business decisions in local environments (Centrelink 1998c:1, 2001a:8).

At the same time, the organisation professed a 'one business, one team' concept that encompassed team functions and shared behaviours. This combination represented an interesting conflict between the many products and services designed, developed and delivered by the agency and the need for a unified, corporate image. Arguably, Centrelink had many businesses and many teams and it was simply protecting itself from opportunists who would emerge if Centrelink were ever opened fully to competition.

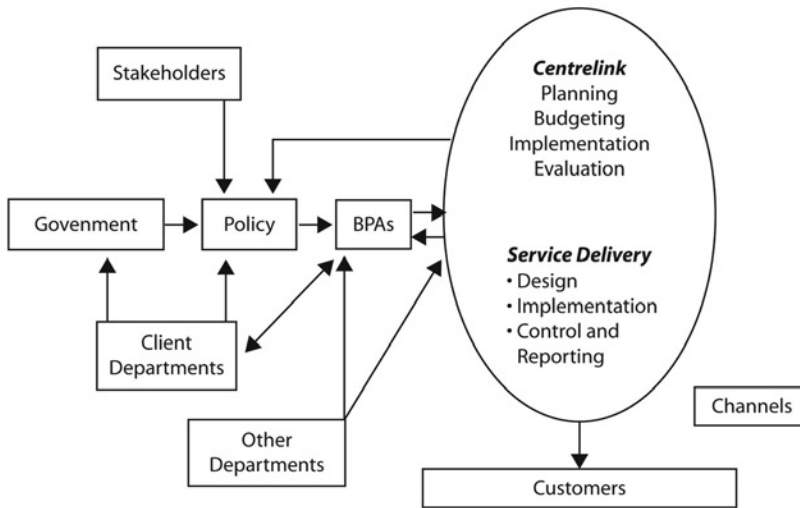
The 2001 plan placed great emphasis on business planning. On the one hand, this was an admission that previous planning had been too centred on higher-level objectives and that CSIPs had not provided the hoped-for implementation or corporate alignment at the working levels of the organisation. On the other hand, introducing business or operational plans at this stage was consistent with the longer-term strategies espoused by the CEO for organisational transformation building on previous phases of establishment and consolidation (Vardon 1998d).

While previous strategic documents emphasised the need for aligning plans and actions throughout the organisation, Centrelink's planners refined processes to match the required cascading effect from goal to operational activity in the 2001 framework. There appeared to be clearer links between the planning levels and an emphasis on the importance of business improvement plans and the use of performance assessment and team and individual learning plans to contextualise and reinforce performance targets at the operational level. There was also an association drawn between a range of national supporting documents, which raised awareness of risk assessment and accountability. This created alignment and consistency between business design and delivery.

Another area of note was the inclusion of statements of corporate governance in the 2001 directions. This was complemented by the issue of a detailed handbook on Centrelink governance (Centrelink 2001c) and commentary on governance issues in the 2001 annual report.

A simplified business model for Centrelink is shown in Figure 3.1.

Figure 3.1 Centrelink business model



Extending the planning

In 2002, the Centrelink board commissioned a comprehensive report on organisational efficiency from the Boston Consulting Group (BCG 2002). The report noted that since 1998, Centrelink had reduced the cost of services delivered by 21 per cent per workload unit, which was represented as an improvement in cost efficiency comparable with that achieved by banks. Other findings were that:

- service costs compared favourably with the costs of processing comparable financial services products
- customer and staff satisfaction had improved and more client-agency key performance indicators had been achieved
- corporate and property expenses were lower than public sector standards and generally comparable with the private sector (Centrelink 2003b).

The report also recommended improvements through developing better performance-management information across the network, better systems for identifying and implementing internal best practice and working with client departments to reduce the cost and frequency of notifiable events (which accounted for more than 40 per cent of costs). It also suggested establishing tighter linkage between improvement projects and effective implementation.

There was a watershed in 2003, when in response to a raft of ANAO findings on payment administration and management processes (see ANAO 2001a, 2001b, 2001c, 2001d, 2002a, 2002b) as well as numerous internal reviews, Centrelink

reviewed its strategic framework and strategic directions and presaged a new look in its planning. The new directions were negotiated with and approved by Minister Vanstone, who wanted an alignment with new government directions. The *Future Directions* document introduced a new mission and vision and reiterated the revised basis for local and national business planning, while concentrating on four new key themes: protecting the integrity of outlays, supporting participation outcomes, providing even more flexible services for all stakeholders and providing value for money (Centrelink 2003c). This change was intended to ‘simplify the planning framework, make it more clear and concrete and to capture a “whole of Centrelink view”’ (Centrelink 2003c). A complementary document on business planning was issued to assist operational teams to prepare business improvement plans as well as to identify operational issues to manage principal risks that could impede achieving the organisation’s goals.

Balanced scorecard for reporting performance

Centrelink’s primary tool for recording, reporting and communicating performance was the National Balanced Scorecard (BSC). Vardon had begun to develop a way of using it when head of the prison system in South Australia because she was ‘worried always over measurement in the public sector...we were sick of measuring the prison system by escapes, we just knew we had to measure differently. And we’d just started when I got the job in Canberra. So I thought...we’ll build a balanced scorecard’ (Vardon interview).

The scorecard was introduced in mid-1998 on the basis that it:

- identified key performance attributes that Centrelink must succeed in to reach its goals
- allowed monitoring of continuing performance through a range of key measures, which recognised achievements and identified weaknesses to give opportunities to improve performance
- communicated performance results across the whole organisation to support continued planning
- provided a flexible comparison tool enabling performance information to be viewed in many formats including geographical performance mapping (Centrelink 2002a).

Although the BSC was reviewed and modified continuously, it was criticised by external recipients of its reports as being too simplistic and inadequate for the job. The ANAO conducted a performance audit of the BSC in 2002 to assess whether it was ‘based on key elements of better practice principles and its use assists Centrelink to understand and communicate its performance against its strategic goals’ (ANAO 2002a:3).

The ANAO concluded that the BSC focused on operational effectiveness and in particular on the purchasers’ key performance indicators, which represented an equivalent bottom line for the agency. In terms of better practice, it was an integrated element of a robust planning framework based on published strategic goals, making it a useful source for monitoring and reporting results. It was used at national, area and customer support centre levels to identify performance feedback for improved decision making. Information was available to all business units on the intranet. The ANAO recommended changes to improve the system by clarifying statements of intent, linking strategic goals to business objectives and revising performance information to assist performance assessment in more quantitative as well as qualitative terms and to balance out lead and lag indicators (ANAO 2002a:3–4).

Centrelink also reviewed the BSC in 2002–03, effectively accepting the ANAO’s recommendations and implementing a new scorecard from July 2003 to be ‘more strategically focused, based around organisational goals and include lead and lag indicators’ (Centrelink 2004a). Centrelink conducted a follow-up review of the BSC in 2003–04, concentrating on all the internally set measures and targets to ensure that they reflected business priorities, were relevant and meaningful, were strategic and assisted in monitoring organisational performance (Centrelink 2004a:21); changes were incorporated to apply from July 2004.

Table 3.1 lists the performance information that Centrelink used to assess the achievement of its outcomes during 2003–04 (DFaCS 2003:272).

Table 3.1 Centrelink balanced scorecard

Contribution of strategic goals to output one: efficient delivery of Commonwealth services to eligible customers.	
Goal	Outcome
Accountability to government and client agencies	The extent to which we achieve client-agency key performance indicators
Business and community	Increased community sector satisfaction with Centrelink
Customer	Increased customer satisfaction with their most recent Centrelink contact
Developing and supporting our people to achieve business outcomes	Increased staff satisfaction with work
Efficiency and effectiveness of our operations and processes	Achievement of a reduction in operational expenses as a proportion of program outlays

Management structure

The task of designing organisational structures to accommodate strategy can be approached in many ways. In practice, organisations prefer an incremental approach that combines components of several methodologies, which is the approach taken by Centrelink (Wills 1999).

Transition from the DSS

The DSS staff members moving to Centrelink were used to operating primarily on functional and geographical lines as a result of 50 years of political imperatives, legislation, social policy initiatives and communication and information system changes. The wide range of policies and payment types that was planned and delivered for the government made it difficult for the DSS to align its programs throughout the organisation; however, each regional service outlet had adopted a pragmatic solution over the years and settled into broad, program-based groupings at its service counters (nominally, families, pensions and benefits) on the supposedly sound basis of mutual administrative and client convenience. This arrangement facilitated technical support and maintained discreet IT platforms until consolidation practices were introduced in the 1990s.

Other structural reforms were incorporated in the twilight years of the DSS. State offices were abolished in the early 1990s and the fledgling network of area offices grew to absorb their roles as more demographically based regional groupings. Tele-service centres proliferated to provide another service channel as well as reducing or at least controlling the flow of customers into offices. Regardless of the prevailing DSS rhetoric about improving customer service, the organisational structure retained its bureaucratic character with strict lines of top-down policy and management control, a rules-based process culture and limited recognition of devolution of decision-making authority at the counter-officer level.

The one continuing experiment in structural adjustment was the centralised management of the design and layout of DSS network offices. As early as 1990, DSS property staff had been planning to replace the closed, counter-ridden, front-and-back partitioned model with open-planned offices based on successful trials conducted by the US Social Security Administration.³ By the mid-1990s, an overall replacement plan had been formulated for a wholesale refit of DSS offices. This provided a sound basis for Centrelink planners in changing the image and environment of offices in the new network.

Centrelink inherited a customer service network of regional offices, DSS offices, Family Service Centres, Retirement Service Centres, Visiting Services and Teleservice Centres. These offices provided the front line for contact with customers seeking advice and assistance, registration, referrals, assessment of claims and determination of entitlements (Vardon 1997c). Area offices managed and coordinated groups of offices and centres with their own supported functional structure.

Designing new structures

Vardon recalls one facet of designing the organisation with Divett: 'We spent one Friday night at the blackboard designing it...a funny diagram of circles.

We couldn't think in terms of programs, we had to think in terms of customer groups' (Interview).

In keeping with its overall program of change to implement the customer-driven, service-provider strategy, Centrelink opted for a relatively flat management structure, taking note of the size and scope of its operations. The organisation renamed its offices Customer Service Centres (CSCs) and Teleservice Centres became Call Centres. Area Offices became Area Support Offices and retained their management role of geographically based groups of CSCs. Centrelink kept its headquarters in the National Support Office in Canberra.

As traditional public sector departments, DSS and DEETYA staff were organised into Canberra-based divisions, branches and sections, with equivalent hierarchies in the field. The new structure was reorganised radically.

- Customer segment groups reflected the change in relationship with the government through the introduction of purchaser-provider measures. Although the title was about customers, as the recipients of provided service, the customer segment groups were required mainly to liaise with client departments about standards, outcomes, training requirements and IT needs. They also were the conduit for informing client departments about the interaction with customers, the impact of programs and policies and defining customer service delivery practices. The initial customer segment groups reflected the pre-existing program-management groups of the DSS: aged, youth, families, unemployed and special.
- 'Theme teams' effectively segmented corporate support for the customer segment groups and everyone else, at least initially, into teams responsible for customer/quality/complaints, people management, innovation, strategic, IT, finance and communication functions.
- The Business Development Group was formed to establish working relationships with identified client departments and to negotiate BPAs with these and potential purchaser bodies.

The new structures were implemented with remarkably little fuss. Once Centrelink was formed, Vardon and Divett used the newly structured organisation to facilitate service delivery and to streamline work processes.

In time, Centrelink expanded and modified its structures to match changes in policy and to align the implementation with corporate strategies. Some area support offices experimented with structures that aligned staff skills more effectively and reduced operating costs. Romeijn (2000) notes that despite the push from Canberra for changes, some areas were reluctant to forgo hierarchical structures, possibly due to the attitudes and experience of the long-serving managers in those areas. In other, more innovative areas, clusters of CSCs were formed, taking on centralised and specialised corporate roles that supported all

the other CSCs. This left the area support office with a more coordinating role and fewer staff. Areas also experimented with matrix arrangements, with 'vertical-slice' teams comprising area service office staff, CSC managers and team leaders becoming area-based leadership teams to support area-based business planning.

The role of the renamed community segment teams changed from having responsibility for the implementation of processes to the purist role of policy and research on customer segments, accountability for delivery of what was signed up to in BPAs and accountability for providing clients with feedback on policy issues (Bashford interview).

By 2004, the organisation had a clear divisional structure with four deputy CEOs responsible for customer service, business, business transformation and service management. Business referred to corporate management and performance while business transformation incorporated the roles of chief information officer, business solutions and e-business among other duties. Service management covered the area network, call centres and self-service operations (Centrelink 2004a).

There was another major element to the management structure, the guiding coalition, which is examined in the next chapter.

Reviewing Centrelink's strategic planning

The impact and effectiveness of Centrelink's strategic planning as the vehicle for presenting its corporate strategies can be considered in terms of governance, positioning, planning methodology, planned and emergent strategies, outcomes and outputs and performance reporting.

In relation to organisational governance, the continuous stream of planning documentation and announcements indicated that Centrelink planners continued to demonstrate awareness of and reporting on the organisation's strategic environment by including greater operational content that would complement the organisation's performance indicators. There was a concerted effort to achieve better governance linkages between strategy, planning, implementation and performance. The balanced scorecard was introduced as the prime means for gathering and collating data for BPAs and government reporting. Finding the 'right' measures to include in this system to reflect the desired levels of relationship, accountability and conformance was a formidable challenge for such a large organisation.

The basic governance approach was broad, top-down policy direction from the board/CEO, with executive-level managers reviewing and confirming goals and objectives and then canvassing all staff for comments and suggestions to enhance and implement the policies. The adoption of a five-year planning horizon seems to have been a direct result of the turbulence associated with becoming a more

business-oriented agency combined with the inherent uncertainty of the public environment and an acceptance of the realities of three-year BPAs aligning with budget forward estimates for resource planning and allocation. The introduction of three-year business plans attempted to better align governance structures with desired performance.

Centrelink's planning methodology employed a gap-analysis process that analysed the differences between the current and desired situations for the organisation and devised strategies to reduce those gaps (Hubbard 2000). Planning was seen as complementary to strategic thinking, positioning and implementation and stressed the importance of relating environmental scanning with organisational purpose and internal capability (Centrelink 1998b:13–16; Mintzberg 1994). While Centrelink had already adopted many private sector concepts, it was seeking more commercial planning methodologies and techniques to meet its strategic objectives. Along the way, planners compiled regular strategic outlook reports containing key environmental trends of economic and fiscal outlook, customer numbers and demographics; additionally, they related these trends to agency performance trends against corporate goals and conducted comprehensive scenario planning (Centrelink 2001e). Other approaches were reflected in annual reports from 2000. As such, Centrelink combined the industrial organisation model of external environmental influence with the resource-based view of internal core competencies to derive strategic futures (Hanson et al. 2004).

Centrelink undertook considerable work in establishing its strategic frameworks by linking its vision with customer-driven purposes for its operations. This led to a corporate sense of business logic with very clear overtones of commercial interest in agency growth and profit to include such notions as price differentiation, market share calculation and the creation of market demand for organisation services (Centrelink 1998a, 2003c). This planning methodology obviously influenced the resultant corporate goals, national and area-based themes. Further, Centrelink consolidated its goal structure and derived its strategies using a 'vision for success' approach (Bryson 1995) by identifying future achievements for the various planning periods.

The organisation retained some historical baggage from its amalgamation but effectively cemented its new identity and position using continuous improvements in service and technology innovation to overcome any residual reservations or constraints. The agency's IT and communication strategies constituted a key element in this regard (Vardon 1998a). The use of extensive community consultation and feedback was pivotal in contributing to strategy development, as shown in the annual reports of the agency.

As a federal agency, Centrelink was subject to the government's 'outcomes and outputs' financial reporting framework. In complying with accrual budgeting requirements, it published explicit outcome and output statements in its budget

papers. The agency also identified six corporate goals with accompanying outcomes, drivers and scheduled activities. This structure purportedly enables more targeted resource allocation against set objectives, although the lack of clear pricing information has long been an area of contention with Centrelink's purchasers and the Department of Finance (Interview with senior DoFA official).

Performance reporting provided a continuing headache for Centrelink. BPAs contained detailed performance standards for service quality and delivery for customer segment products and services, although there were continuous 'strategic conversations' with providers about the number, extent, value and frequency of these standards. Reports on customer transactions and quality indicators were prepared regularly for clients in accrual format to match budgeted output goal statements. Centrelink also reported on internal performance at local and national levels. CSIPs attempted to reflect corporate goals at the regional level and reports were collated at the area level to monitor progress. CSIPs were, however, shown to be ineffective in capturing local performance and were replaced with business plans and business improvement plans. The key performance indicators in the National Balanced Scorecard reflected national performance objectives and progress reports were prepared for the board each month. The balanced scorecard mirrored corporate goals, which covered customer and community involvement and satisfaction, staff, partnerships and client departments, efficiency dividend to government and innovative and personalised solutions. Collectively, the scorecard indicated achievement against a separate goal entitled 'benchmarked as best practice and first choice' (Centrelink 2001a:13). Balanced scorecard results were available to staff on the agency's intranet, but the system's usefulness was subjected to close scrutiny over the years, resulting in significant changes in its coverage and outputs.

Risk-management and evaluation processes have been significant in the planning, implementation and conformance aspects of managing the organisation. The tightening and consolidation of strategic planning reflected in the *Future Directions* series and heightened emphasis on business planning showed a growing maturity and awareness of the socio-cultural environment in which Centrelink operated. Indeed, they showed a degree of responsiveness to political oversight with big changes occurring in 2003 with a new mission, vision, goals, strategies and key performance indicators (Centrelink 2003c, 2004c).

In summary, Centrelink continued to institutionalise proactive planning, including basic financial and corporate planning. The Centrelink board and executive provided corporate direction within the legislative mandate and communicated their longer-term intentions to the rest of the organisation. The agency's planning developed rapidly and appeared to incorporate a better understanding of the purchaser-provider environment as evidenced by its growing list of clients

Conclusion

Centrelink established comprehensive planning processes drawn from the private sector to develop and maintain its strategic framework. It pursued an aggressive mix of strategies to ensure its survival in a hostile and contestable environment. The introduction of more detailed business planning acknowledged the need for a stronger approach to align corporate and functional-level strategies. Its business model and processes remain subject to close scrutiny in performance-laden, purchaser–provider relationships with an increasing number of clients. Managing these relationships required clear lines of communication and accountability throughout the organisation and its structures needed to match its strategies to produce the promised performance of its BPAs. The BSC, after initial problems, became a useful performance-monitoring tool for the organisation.

Centrelink experienced some lag in adjusting to the revised set of organisational designs instituted earlier in its life. The National Support Office in particular underwent substantial structural adjustment in adapting to the realities of liaison and alliance with the agency's clients, as discussed in Chapter 6. The parade of ANAO reports and internal reviews generated strategic and shorter-term adjustments in organisational direction and goal setting. Notwithstanding other changes in governance discussed later, Centrelink evolved under the tenets of new public management into a trusted body with improved service delivery performance and a more businesslike management in keeping with the Prime Minister's statement at the organisation's 1997 launch foreshadowing efficiency with sympathetic and responsible service.

ENDNOTES

¹ This arrangement was the basis for Centrepay, which was convenient and cost effective for utility companies and provided a revenue stream for Centrelink.

² The eight were: access, business, correctness and accuracy, delivery, efficiency and effectiveness, focus, governance, helping and supporting employees to achieve business objectives.

³ Several prototypes were installed, which received mixed responses from staff and customers. Some DSS and CES offices combined as part of these experiments, reminiscent of the Coburg trials of the 1980s.