

4. Leading and managing change

This chapter examines how change was managed in Centrelink. As the origins of Centrelink were in government decisions and legislation, there were high political expectations that the new agency would produce improved performance and administrative savings by combining the operations of the DSS and DEETYA. Centrelink was a risky experiment for the Commonwealth, with its separation of policy from 'customer' service and the introduction of purchaser-provider agreements to maintain accountability. Centrelink also faced many obstacles—external and internal. The transitional management challenges included ensuring the government's policies and directions were complied with; effective coordination between stakeholders; developing a unified culture to progress the new agency based on staff from different agency cultures; gradual implementation to build on successes and minimise risks; and maintaining customer service (ANAO 1997b:11).

Managing major organisational change requires structures, processes and systems that are mutually supporting. There needs to be a clear strategic direction, alignment of organisational structure, reshaping of employment relations and changes to organisational culture (Spicer et al. 1996).

Leading transformational change

Leadership is highly significant in organisational change and performance and particularly in large-scale public sector change processes. During an organisation's life and at different stages of development, different types of leadership are appropriate. Transformational change requires the attributes of transformational leadership, which involve interactions with the external environment and building management capacity through internal management systems. As Kotter (1996:25–6) observes, 'Effective leadership is exhibited through actions that build and improve organisational abilities and management systems expressed through interactions with governmental capacity, represented by management systems.' Successful transformation, it is argued, should be mostly about leadership (establishing direction, aligning people, motivating, and so on) and secondarily about management (planning, budgeting, organising, staffing, and so on).

Ultimately, successful change has to be registered at the level of culture. Cultural change 'requires the mutual interaction of new symbols and definitions and of changed structures, expectations, and rewards. New attitudes need to be demonstrated in new behaviours and expectations' (Spicer et al. 1996:180).

The watchdog of APS processes and performance, the ANAO, considered that an important factor in successful organisational transformation was 'the

employment of strategic leadership to provide the vision and drive for change' (ANAO 1997b:6). This form of leadership was defined as 'the ability to anticipate, envisage, [and] maintain flexibility and empower others to create strategic change as necessary', which was exercised by determining strategic direction, exploiting and maintaining core competencies, developing human capital, sustaining an effective organisational culture, emphasising ethical practices and establishing balanced organisational controls (Hanson et al. 2002:427–36).

Strategic leadership has been particularly important in developing and transforming Centrelink. The board and the CEO exercised strong leadership to determine the changes in the organisation. As part of their responsibilities, they needed not only to manage organisational improvements and have stewardship of individual functions, they had to manage strategy by 'defining and communicating the company's unique position, making trade-offs and forging fit among activities' (Porter 1996:77). This involved interacting with a range of strategic management elements, including organisational processes, people and control systems. The ultimate test of meeting these multidimensional requirements would be whether the organisation performed to internal and external performance standards and met its output and outcome objectives.

Agents of change and their roles

The Centrelink board appointed Vardon as the founding CEO of CSDA/Centrelink. The preference was for someone not associated with either the DSS or DEETYA. Vardon was headhunted from her position as chief executive of the South Australian Department of Correctional Services, where she had successfully implemented reforms to reduce costs, develop a new corporate culture and improve customer service.¹

Vardon arrived at the DSS in February 1997 to prepare for the creation of Centrelink in July 1997. She was the single determining figure in change and overall direction. Other significant actors—in particular, ministers, the chairman of the Centrelink board and key staff—had roles and specific responsibilities, but none approached Vardon's influence. The CEO needed to adopt distinctive roles, which were complemented by the different roles and functions of members of the most senior management group.

Vardon, like most CEOs, had never managed an organisation as large as Centrelink and was not familiar with the Canberra environment. In this regard, she was supported by her deputy, Ross Divett, who was able to offer astute strategic intelligence and advice to a new CEO versed in state government practices. Divett was also an experienced and effective public manager who had been a deputy secretary in the Department of Administrative Services during its commercialisation program. When he became deputy secretary of the DSS, he brought across many of those lessons and attitudes, particularly about marketing

and business concepts, and introduced major planning and structural change in the department. In moving to Centrelink, he provided Vardon with this experience and a working knowledge of the history of the CSDA development concept and processes from his involvement under DSS secretary Blunn. Vardon worked very closely with her deputy, whom she regarded as her co-leader in the organisation, characterising their partnership as 'a double-headed energy source' (Interview).

She was also supported by her board, which endorsed her approach to quality service to customers through good staff management, as expressed by board member Don Fraser's concern with the people who served the customer and all that went behind customer service, particularly leadership development and succession planning. The board developed an initial set of operational ground rules in consultation with the CEO and her deputy during the first crucial months of organisational transition.

As noted earlier, Vardon saw herself as an agent of strategic change and could be characterised as a leading public entrepreneur in her transforming efforts at Centrelink in terms of leadership, creativity and innovation, opportunism, risk taking and facilitating and synthesising (Forster et al. 1996:11), noting especially that her personal view of leadership was 'a set of processes that creates organisations...and or adapts them to significantly changing circumstances' (Vardon 1998c:2).

With many of the transitional management details being assigned to the deputy CEO and his team, Vardon saw her leadership role as giving the organisation 'a shape, a face, a design, a style' (Interview) and travelling around the network to sell the vision. In her view, the traditional DSS/DEETYA leadership patterns, expectations and mores in the new agency would not meet the challenges of successful top-down change.

Vardon found an organisation fraught with risk-averse managers, fiefdoms, traditional vertical communications and limited horizontal coordination and ownership of work (Vardon 1998c).

Leadership and philosophy of change

Vardon responded to the perceived leadership vacuum by introducing team-based management with new working groups and non-APS titles. Vardon flattened the SES structure, imported new SES staff and, significantly, introduced the concept of the guiding coalition.

These changes in power arrangements created consternation and resentment among some senior staff, particularly within the IT groups, who were used to controlling the means of delivering entitlements and were confronted by the seeming lack of recognition of their contribution and importance. The later

introduction of an outsider, Jane Treadwell, a former colleague of Vardon's in South Australia, as the new chief information officer added to their discomfort.

Kotter's (1995) management change process—an eight-stage framework for creating and implementing change in organisations—was very significant in Vardon's thinking about change (Vardon 1998c, 2001, 2003b).² The first stage in Kotter's process is to establish a sense of urgency after examining the external environment and to then identify possible crises or major opportunities. Next, the leader needs to create a 'guiding coalition', a powerful group working closely as a team to lead and provoke change. The third phase is to develop a vision to encompass and direct change efforts and devise strategies to accomplish that vision. Communication is the key element here and Kotter argues that managers should use every possible means to market the new vision and strategies; the guiding coalition is meant to provide the role model for the expected behaviour of staff.

As part of the process, there is a need to empower what Kotter deems broad-based action, meaning to overcome obstacles, to change systems or structures that undermine the vision of change and to encourage risk taking and non-traditional ideas, activities and actions. Importantly, change is dependent on generating quick success or short-term wins. Kotter recommends planning, creating and recognising obvious improvements in performance. Consolidation and generation of further change is a necessary part of the process to embed new, compatible systems, structures and policies that support the new vision. This can mean injecting new staff and introducing new projects into the organisation.

Finally, successful change is achieved by anchoring new approaches in the culture—that is, creating better performance by concentrating on customers and productivity, improving and expanding leadership and management, spelling out the links between new behaviour and successes, developing leaders and ensuring succession.

Vardon chose this model for the Centrelink transition on the basis of its comprehensiveness and applicability.³ The model was almost tailor made for the Centrelink transition and beyond, and Vardon used it to great effect. It contained highly relevant guidelines for a CEO faced with the external and internal environments of a public service agency in transition. At the same time, Vardon was also influenced by 'emotional intelligence' (Goleman 1996; Higgs and Dulewicz 1999) as a contributory model of personal leadership, building on her social-work background and her previous experience in senior public sector positions. This model encourages participants to become willing leaders or agents of change and employs exhortations for self-awareness, emotional resilience, self-regulation, motivation, empathy, influence and intuitiveness.

Vardon's corporate philosophy also distinguished clearly between management and leadership, accepting the prevailing wisdom that managers—particularly

in large organisations—were required to cope with complexity through judicious planning, budgeting, organising, staffing, controlling and problem solving to ensure organisational maintenance and survival. On the other hand, leaders deal with change by direction setting, aligning people to the vision, motivating and inspiring to ensure not only longer-term survival but effective competition and growth (Harvard Business Review 1990). These concepts and intellectual frameworks were critical in shaping Vardon’s approach to management change and developing a new organisation.

Leading organisational change

Reconstituting and reshaping an organisation with more than 20 000 staff is a formidable task and requires considerable leadership skill and perseverance. Organisational change was not new for DSS and DEETYA staff, but the scope and responsibilities for developing and implementing change strategies in Centrelink rested heavily on the executive managers acting as a team under the direction of the CEO. Acting as an executive team requires a shared understanding of the tasks of change, an ability to set priorities and systematic monitoring and adjustment of performance implementation. The breadth of change facing Centrelink needed imagination, innovation, professionalism, communication and close collaboration for programs to succeed.

Vision and strategies

The CEO and the board designed a new vision and corporate directions for Centrelink and, as discussed in Chapter 2, endorsed three evolutionary stages for the agency to become a viable one-stop shop for government services (Vardon 1998d).

The first stage was to establish the organisation during 1997–98, concentrating on implementing transitional processes to integrate staff and business activities. The major challenges of this phase were cultural change and improving customer service. Comprehensive surveys of customer and staff satisfaction were conducted and the results used to facilitate program changes.

The second stage was to consolidate initial developments and achievements and to build better service delivery while introducing new service concepts. The aims were to create a seamless service for customers, re-engineer workflows and processes, introduce technological improvements to facilitate customer self-service and staff assistance and to improve services to rural and remote areas. The organisation also had to retain its current business as well as expanding its alliances.

This stage sought to introduce a ‘one main contact model’ with case-management processes to reduce effort and eliminate duplication for customers. There were significant technological challenges associated with this stage in preparing for

even more ambitious change in the next stage. A strategic IT plan for business architecture and processes was needed to accommodate the construction and testing of extensive decision support systems ('expert systems') while allowing for the potential disruption of the 'Y2K' problem (Vardon 1998d).

The third stage aimed to 'transform the delivery of government services' (Vardon 1998d:8) with a new service delivery model based on a life-events methodology, the acquisition of major new business, consolidation of staff development programs, more advanced electronic service delivery and closer connections with state and territory one-stop shops.

Centrelink's strategic positioning for the future was predicated on winning competitive advantage over potential rivals in the government and market sectors by first acknowledging the inevitability of a contestable environment. Its strategies aimed to consolidate its performance by forming strategic alliances with other service organisations and particularly with community groups. With its substantial customer database, it identified its niche as the community broker for all government agencies and their networks, which was seen as a logical extension of the one-stop shop concept in an electronic knowledge and service society. It constantly considered better ways of marketing its products, improving internal skills and competencies and providing better service and choice. At the same time, it had to satisfy its clients as their service provider. It is interesting to compare the changes in the basic tenets of the organisation's strategic framework from 1997 until the first CEO departed. The changes reflect pragmatism in embedding organisational competencies to improve the probability of surviving as an entity as well as preparing the ground for more ambitious ventures away from Centrelink's (traditional) core business.

Aligning organisational structures and the guiding coalition

The establishment of the new agency brought together about 20 000 ex-DSS staff and 3000 ex-DEETYA staff, consolidating two regional networks and developing service purchasing agreements with the client departments while maintaining existing government services to a large customer base. Faced with a myriad consolidation, transitional and reform issues, Vardon (1998a:1) decided that the

traditional management structures and ways of management would not give me the capacity to create a sense of urgency and to bring real change to an organisation of 23 000. I needed to create a different type of organisation, an amoebic organisation, one that could readily move and change to meet a rapidly changing environment.

The organisation had to divorce itself from the DSS and absorb CES staff within its new structure. Its leaders had to start operating in a more businesslike manner and hence convince supervisors, staff and unions to accept different

organisational directions, attitudes and structures. The agency faced problems of setting up new operating frameworks, rules and understandings with client departments and the government, while simultaneously maintaining existing systems and the flow of payments to customers. Throughout this transition process, Centrelink also had to face the threat of contestability and potential 'cherry picking' by the private sector of attractive organisational functions.

How was a large and complex organisation to approach a model of integrative leadership? The main internal mechanism chosen was that of the guiding coalition, a group of senior managers advocated by Kotter (1996) as one of Vardon's precepts for successful change, as outlined earlier in the chapter.

While executive teams supporting the CEO were part of normal internal governance practice in the APS, the introduction of the Centrelink guiding coalition was unique to public agencies at that time. The guiding coalition was a top team that had to address a number of initiatives concurrently, such as formulating strategy, managing performance and stakeholder expectations and renewing talent pools. This executive gathering was expected to welcome external challenges and set high performance and effectiveness standards for themselves. Finally, the group was to work to improve the organisation by instituting short-term cycles of action and reflection by accelerating the pace of change and applying their combined business experience and judgment to problems as a team.

Another symbol was the reduction of hierarchies within the organisation and the use of new cultural language, such as the collective phrase 'the guiding coalition' to identify all the members of the SES. Flattened structures and teams headed by an SES officer replaced traditional divisions and branches.

The one thing that I learnt in South Australia is that it's all very well to say you want to go from here to here, but you actually have to say why, [and] how you're going to go from here to here. So we set a level of expectation...of the SES [and] introduced this notion of less hierarchy.

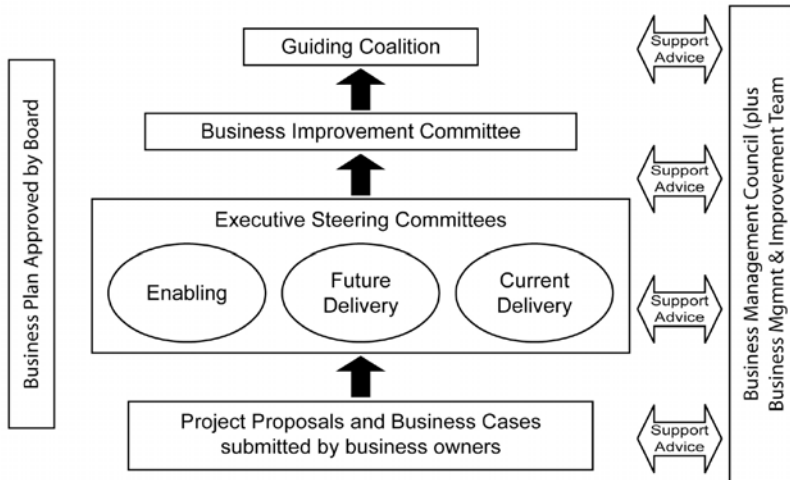
[We] enjoyed building the guiding coalition...They didn't like the name of it but couldn't think of a better word either...But I didn't want to have executive, senior executive or any of those words...I tried to introduce as many new languages to create the culture as I possibly could—a long term, cultural language. (Vardon interview)

Vardon considered that the guiding coalition concept would be valuable for Centrelink because it would allow senior managers to discuss strategies and monitor progress while evaluating performance trends against expected internal and external outcomes. She had already tested a variation of this arrangement: 'Every place I've been, I made a co-linking of the senior executives.' In this case, she resolved that

we would all speak with the same voice...we had a big agenda to sell, and I had to have everybody selling the same agenda. And because of the size of it, I had no choice but to go with part of the decision making process, because I wanted them locked in. (Vardon interview)

The CEO formed the guiding coalition to create a sense of shared ownership and governance of the organisation, to increase the leadership capacity and create a force to sustain and drive change; to process more information more quickly and speed up the implementation of initiatives; and as a vehicle to eradicate the 'destructive competition between respective patches' (Vardon 1998c:1, 2). The aim was for the coalition to be a form of matrix consultative management that consulted horizontally and vertically and that sought to unlock the 'old command and control style' (Divett 2002:56) and replace the functionally based hierarchy of committees dominated by senior executives and divisional heads of Centrelink's predecessors. As a strategic management group, the guiding coalition comprised all SES officers and the executive, and included national and area managers. It merged the business and functional levels of the agency and was at the peak of the executive committee structure, as indicated in Figure 4.1.

Figure 4.1 Guiding coalition and other key Centrelink committees



It was also intended to reinforce the shared vision and accountability of its managers and the vision of the agency. Vardon saw the body as communicating the corporate vision as well as generating short-term wins from a myriad improvement projects and 'anchor[ing] new approaches and behaviours in the organisational culture' (Vardon 1998c:3). Within the parameters set by the board of management, the guiding coalition took on setting the direction and taking

key decisions, while establishing a culture for the future and acting as an educative forum (Centrelink 1999a:85).

The management group met about every six weeks for two days to manage the agency's internal governance and strategic agenda and to discuss business-level issues. The meetings provided a forum for operational feedback from area staff on the implementation and management of programs, and allowed national support officers to report on forthcoming events and the status of development projects. The wide-ranging and forthright discussions involved a sharing of responsibility and ownership based on achieving the strategic goals of the organisation. Everyone was expected to participate. These occasions represented a group dynamic that reinforced the leadership ethic of the agency's SES while updating its knowledge.

In an early evaluation of the guiding coalition concept, Vardon (1998a) asked members what they thought of the operation of the idea and its functional performance. The responses were mixed in terms of its role, the role of the CEO, the coalition's relationship with the board and the efficiency of such a large decision-making body; the group began with 55 staff (Divett 2002) and expanded in time to about 80, then to almost 100. Some members thought that the issues being discussed were not significant and that participants were either unprepared to contribute or reticent in this type of forum. Others valued the inclusiveness and the building of a corporate sense of network that forced senior officers to come to grips with strategic and operational issues.

Vardon credited the guiding coalition with setting key agendas for reforming the organisation as well as fostering a shared understanding of its new roles and responsibilities. She saw the team as a significant factor in building Centrelink's success and was heartened by healthy changes in the coalition itself, such as a greater maturity of members, manifested in part by the fact that people were starting to disagree (Vardon 1998c). In her view, critical disagreement contributed to strategic decision making in the organisation, but also strengthened group collegiality. Divett (2002) observed: 'It took us nine months to turn this big and geographically dispersed group into an effective team, but payoffs have been substantial. We're creating an entirely new organisation.'

The process of development of this innovative structure paid off in the formative years of Centrelink. By 2003, the annual report noted that this body was responsible for guiding the organisation, setting direction and leading change, establishing a culture for the future, providing an educative forum and communicating decisions (Centrelink 2004a).

Changing organisational culture

Vardon had outlined the scope of change in a welcome and orientation package for staff in April 1997 (CSDA 1997b). In it, she presented the reasons for

establishing the agency, its responsibilities, how it would be formed and the number of changes already under way. She characterised the nature of the agency's business as assessment services, information giving, referral services and payments. The document also identified the four main customer groups or stakeholders as the DSS portfolio minister, client departments, internal customers (the board of management and agency staff) and 'people who use our services and their representatives' (CSDA 1997b).

Vardon adopted a highly personalised approach in building a new staff culture and bringing together staff from the DSS and DEETYA. She was acutely aware of past tensions and competition in the DSS–DEETYA relationship as a result of following different and at times conflicting procedures and processes. She saw the new agency as providing an 'opportunity to combine our services into one organisation without barriers for us as staff in attending to customer needs and without the frustration our customers feel when dealing with two separate agencies' (CSDA 1997b:18).

Vardon stressed the necessity for transformational and transactional change through a continuous stream of messages to staff, but she also recognised individual reactions that could accompany these seminal changes. She acknowledged a range of likely emotional responses including feelings of loss, resistance to change, denial, uncertainty, resentment, frustration, indifference, caution or indeed increased energy for those who would embrace change wholeheartedly (CSDA 1997b:18–19). Staff counsellors were made available to support staff during the changeover. These communications to staff were highly optimistic and positive in tone but they also dispensed practical ideas in trying to assuage understandable staff concerns. Those staff members who were unable to accept the new workplace culture were invited to 'reassess their career goals' and to consider possible moves either within or outside the agency.

During the initial period, Vardon visited most offices in the network to explain the new roles and responsibilities of Centrelink and to answer questions from sometimes anxious staff. Her previous experience in introducing change and her confident manner, combined with her formidable communication skills, provided an obvious focal identity for staff and facilitated her task.

Creating a customer-focused organisation required more than keeping the customers happy. It raised significant concerns for staff about issues of job security and the prospect of their functions being opened up to competitive tendering, compounded by the initial difficulties of bringing together a large number of staff from two different organisations. Because of the tight financial constraints imposed by the additional efficiency dividends, the question of cost cutting through staff reductions was high on the list of priorities; indeed, it provided the major driver for long-term strategy formulation for Centrelink's future. Most of the initial savings could be obtained only through voluntary

redundancies. Because of the historically confrontational approach between the DSS and the Community and Public Service Union (CPSU), the relevant APS union, a new staff employment agreement—seen as an essential for reinforcing the management of change—needed to be negotiated carefully and quickly to ensure that remaining staff were coopted into the new organisation with assurances of continuing status as public servants and promises of productivity-linked staff pay rises.

A Centrelink Development Agreement (CDA) was drawn up during the organisation's first year of operation to improve the working environment. Centrelink staff members were consulted in developing the agency's vision and culture and given incentives and opportunities to achieve the requirements of the Customer Service Charter and the BPAs. In 1999, a revised CDA paid particular attention to the job classification structure and introduced a broad banding of classifications. This effectively provided staff in the frontline service centres with pay rises matched to improved work skills and productivity. The aim was to encourage staff commitment and development and to reward improved performance based on service rather than a more generic public service administrative function. Vardon played a central role in first smoothing and then reforming previously acrimonious relations between the CPSU and Centrelink management.

An early challenge for senior management was to develop a new Centrelink culture that reflected those elements of the previous departments that managers wanted preserved and to develop values deemed important for the emerging organisation. A number of shared behaviours were identified and defined through five shared values: listening to customers and the community, mutual respect for customers and each other, behaving ethically and with integrity, addressing innovative ways to provide the right outcome, and problem solving and developing opportunities (Centrelink 1997:8–10, 2003c).⁴

The first value was listening, because Centrelink wanted to share and apply a culture of listening throughout the organisation, drawing on the strength of CES staff, who were regarded as listeners because they gathered information about customer skills and life experiences. Social security staffers were thought to lack such skills because they were less integral to their work. The second value, respect for customers and colleagues, emerged from studies undertaken by Centrelink on the culture of the organisation in which staff and customers perceived that they were not respected. The third value focused on behaving with integrity and in an ethical manner.

The fourth value centred on exploring innovation, which Vardon (O'Donnell 2004; Interview with Vardon 2002) attributed to a comment by a senior executive from the DSS about the

need to learn how to explore...this was a journey we were going on. He used the early pioneer experience and you get this wonderful visual image of somebody lifting up the bottom of a building, the bureaucracy, and looking out and seeing different ways of doing things.

The final value, solving problems, was selected because DSS front-desk staffers were not regarded as possessing such skills. The DSS staff did not

package things up for people. You said yes or no if they were entitled. There was a strong cultural value which says only answer the questions that people ask. So the customer was expected to know things they wouldn't know. There was a legal argument for this, an administrative law argument, that said that...you are there to provide a range of information, and if you fail to, you could be sued for failing, they might be able to claim or recover in a payment area that they missed out on. (O'Donnell 2004; Interview with Vardon 2002)

Vardon regarded the five values as statements about the future, which had been chosen to reflect a distinctive philosophy. The values and associated behaviours became a significant element of the organisational culture that was reflected in staff interaction and external behaviour (O'Donnell 2004). The shared values reflected a special insight into the nature of the organisation and its priorities.

Strategic human resource management

A strategic approach to human resource management was developed over several years. Centrelink had a number of frameworks to address human resource development directly or indirectly, such as the strategic framework, business plan and the National Learning Strategy 1998–2001 (ANAO 2001c:16). Vardon, however, lamented in 2002 the absence of a focused framework:

[W]e've done lots of things really well, but having an integrated package which says what we stand for, believe in, what things are important to us, how we look after our staff, what we're going to measure, what the most important drivers are for performance—having a framework for all of that, we just didn't have one. (Interview with Vardon; O'Donnell 2004)

By 2002, the integration of human resource practices into business planning processes remained limited, according to O'Donnell. A national people manager, appointed early that year, observed that when he arrived

the people effort was completely disconnected from the business. We had a little goal in the business plan on a piece of paper but there was nothing living and breathing behind it in my view. And even [in] major initiatives that were underway, the people issues were absent. (Interview with National People Manager; O'Donnell 2004)

A National People Plan (Centrelink 2002a) was developed in 2002 to improve integration between people management and business. The strategy emphasised six business-improvement focus areas: adding value to business decisions; leaders leading and managers managing; encouraging talent for success; commitment to safety, health and wellbeing; focus on learning, an investment in business; and fostering a culture committed to values, outcomes and innovation. Several major projects for implementing the plan included CDA initiatives, strengthening workforce planning capability and implementing the leadership framework. The National People Plan was fitted into the broader framework of strategic directions and business plans and the balanced scorecard. It was connected also to business-improvement planning processes at the team level and down to personal performance plans.

Integrative leadership

Centrelink emphasised the importance of organisational leadership and developed a set of normative national elements and associated performance criteria and measures for the leadership qualities it deemed necessary to contribute to the success of the organisation. The list represented a compilation of trait, situational and transactional theories with generalised and specific characteristics. Each quality described its elements with a set of examples of processes: for example, in the leadership quality covering innovation, leaders were expected to demonstrate their innovative abilities when creating a vision, solving problems or planning and facilitating major change. Performance criteria then described further activities that provided a checklist for leadership. Finally, each quality had performance measures segmented into leadership groups at various organisational levels—for example, the National Support Office, area support offices and CSCs.⁵

Vardon sought to foster these qualities in applying herself to transforming Centrelink and its leaders into a very different government agency. Her impressions of the impact of leadership on change were that: 'We have learned that we need dynamic and cohesive leadership...an executive who acts as advocates [sic] for collaboration and organisational change, shaping organisational structures and processes and promoting the concept of one business' (Vardon 2001:10).

The competing demands of manager/leader were difficult to reconcile but the organisation had at least attempted to outline a leadership philosophy that was being matched to the demands of current and future performance-related officers. Mentoring leaders involved nurturing self-confidence by allowing staff to try to succeed at new things, and valuing employees.

Learning culture and the virtual college

The overall reason for establishing a virtual training college was that the elements of the new entity existed but needed to be pulled together, according to the CEO (Hamilton 2007:103). Centrelink had inherited a tradition of staff training from the DSS, but this new stage reflected Vardon's 'vision for an organisational learning culture' (Hamilton 2007:111). The virtual college was to support the steering of Centrelink 'towards a learning culture'.⁶ According to Vardon:

From time to time I didn't get the balance right and there was a perception that she cares more about the customers than she does about us. And out of that came this big drive from me to get the college going and the upgraded qualifications so that our staff could see that we actually cared about them. (O'Donnell 2004; Interview with Vardon 2002)

The Centrelink Virtual College was established in 2001 to provide a facility for staff to acquire accreditation for the training they were undertaking. With the introduction of the college, many of the two-day courses that were previously offered to staff were replaced by accredited qualifications (Centrelink 2002a:19).

Culture and change

According to O'Donnell (2004), elements of a best-practice model of human resource management—regarded as significant for organisational success (for example, Pfeffer 1998)—were in place. These included the work of the Centrelink Virtual College, the promotion of teamwork and the handling of performance and recruitment. There was 'evidence of the emergence of a more strategic approach to [human resource management] whereby human resource policies are increasingly integrated with the organisation's approach to business planning via the development of Centrelink's National People Plan' (O'Donnell 2004:19). O'Donnell also observed that these initiatives did not yet represent a coherent and complementary set of human resource practices. The experience suggested a

contingent and organisational specific response to the challenges and pressures involved in creating a large integrated service delivery organisation employing almost 25,000 employees operating under strong market pressures and under intense scrutiny from the federal government and other government departments. (O'Donnell 2004:19)

Changing culture is essential for major organisational change, but it is regarded as difficult to accomplish. The requirements include 'the mutual interaction of new symbols and definitions and of changed structures, expectations, and rewards. New attitudes need to be demonstrated in new behaviours and expectations' (Spicer et al. 1996:180). In Centrelink's case, the challenges of pre-existing cultures were dealt with as the organisation was infused with a

distinctive new culture that was aligned increasingly with strategic directions. The leader played a pivotal role in communicating the new order and investing 'spirit' to produce change in staff attitudes and behaviour. As a consequence, the organisation was able to claim that, in time, it became more customer centred, service delivery conscious, client oriented and performance focused.

ENDNOTES

¹ Vardon had previously served in local government and in senior positions in the NSW Department of Youth and Community Service and the South Australian Department for Community Welfare. She had also been South Australian Commissioner for Public Sector Employment and head of the Office of Public Sector Reform. During this hiatus as a consultant to the DSS, she worked closely with the transition team to address marketing, legal, structural, procedural, accommodation and relationship issues. In 1995, she was named the Inaugural Telstra Business Woman of the Year.

² Despite Centrelink providing an international exemplar of the Kotter approach, Centrelink's contribution to a subsequent Kotter publication authored by Ross Divett (2002) was presented as a 'down under' case and not even from the public sector. Divett's position was not identified, unlike about 50 employees of Deloitte's, who were acknowledged.

³ This model of change has also influenced departmental secretaries—for example, Metcalfe (2007).

⁴ This discussion draws on a paper by Michael O'Donnell and material derived from an interview that he conducted with Sue Vardon in October 2002.

⁵ An example of the emphasis placed on the practice of leadership was the area leadership team in northern central Victoria, a middle to operational-level version of the guiding coalition, which used global leadership expectations within the organisation as a means to improve staff performance in the area. The *Leadership Expectation Statement* was comprehensive but simple in its format. It was published as a wall poster and provided to staff as a small fold-out pamphlet. The statement was separate from the national *Leadership Qualities* papers and had three sections: operational standards, attendance, and image and behaviour. The document represented an amalgamation of many disparate pronouncements and directions that had been distributed throughout Centrelink. The area conducted extensive consultation with staff and managers to use the final product to rectify the 'poor performance' of staff in the network. In identifying relationship and management issues, it emphasised the pivotal role of staff in providing service rather than concentrating only on customers.

⁶ There were other factors involved, such as an audit inquiry into the systems and strategies for ensuring customer service officers had access to appropriate skills and knowledge, but the report was published after the creation of the virtual college (ANAO 2001c: no. 9).