

6. It's lonely at the top: management of the agency

Elements

This role of a secretary is closest to that of a chief executive in the private sector, but is still quite different given the accountability structures involved. It involves:

- setting the strategic direction of the organisation in line with the minister's policies
- having a top management structure that facilitates effective overall administration with appropriate lines of accountability
- using this structure to monitor program performance and implementation of government decisions, and to help manage risks
- having staffing arrangements (including industrial arrangements) to ensure efficient and effective program delivery and quality policy advice
- fostering a productive culture throughout the organisation that delivers more than the sum of its parts
- ensuring the systems that underpin most of the operations of the department are robust and seamless.

In policy departments in the Commonwealth, secretaries are also the ministers' top policy advisers and have the associated management responsibility of:

- marshalling as well as adding value to policy analysis and advice.

Strategic planning

I always put great store in strategic planning, consciously trying to avoid the dangers of rhetorical and meaningless vision and mission statements by processes of extensive consultation and engagement supported by real evidence and analysis. Good plans require frank discussion of strengths and weaknesses and of the changing environment. I recall, for example, that the most critical issue in 1994 for the new Department of Housing and Regional Development was acknowledgment that the Whitlam Government's Department of Urban and Regional Development (DURD) was widely seen to have been a failure, and we needed to understand the reasons and how we could avoid the mistakes made by DURD.

I would substantially revisit plans after elections or after changes of portfolio minister, with annual reviews of the plans in between. The plans represented an agreement between the minister and me as to *how* we planned to deliver *what* the minister and the government required (as set out in portfolio budget

statements and Prime Minister's charter letters, for example). They typically outlined strategies covering structures, systems, staffing, communications and external relationships, all linked to a small number of unifying themes reflecting the government's broad policies.

The plans were not one-off exercises that simply ended up on the shelf, but were reflected in the business plans across the department and in performance agreements, and were reported against including in the annual reports of the department.

The strategic plans were also complemented by more detailed plans on particular critical strategies such as staffing, communications, IT and financial management. We also undertook risk assessments and developed risk-management plans, though these were not as sophisticated as is now common practice in Australian government departments.

Table 6.1 Strategic plan for the Department of Health and Family Services, 1996

Just over two months after the change of government, I initiated an extensive planning process centred on a two and a half day management retreat. The department had had a strategic plan, but it had little influence on corporate behaviour or priorities and just sat on the shelf. I was determined to have one that made a difference.

The main participants in the retreat were the executive and division heads, but the heads of all portfolio agencies were also invited, as were the ministers' chiefs of staff.

The two ministers and the parliamentary secretary spoke on the first evening and the next morning, responding to questions about their priorities and concerns after their initial experience in their positions. A series of stakeholder presentations followed with open discussion after each group of presentations. The four groups of stakeholders were portfolio agencies, other government stakeholders (including central agencies and a state CEO), consumer organisations (Australian Council of Social Service, Australian Council on the Ageing, Australian Council for Rehabilitation of the Disabled, Consumer Health Forum) and professional providers (for example, Australian Medical Association, Australian Private Health Insurance Association (APHIA), aged care, child care). The presenters were asked to identify significant changes in the environment and key issues and concerns for the national department to address.

I also made a presentation based on my first two months in the job, identifying some major options for addressing the new government's

priorities, including in particular the choice between a loose federation of programs in a large department with essentially independent portfolio agencies (a 'holding company' model) and a smaller but more integrated policy department with purchaser/provider or other semi-contractual relations with a wider range of portfolio agencies, many operating on a more commercial basis. I focused on not only the new government's commitments to Medicare and so on, but its stated philosophies of more choice, more use of markets and reduced government spending (including big cuts in departmental expenses).

This all provoked substantial and constructive debates during the next day and a half, leading to a draft plan that contained more substantial analysis of the context than was usual, in order to convince the departmental sceptics that this was not just a rhetorical exercise. It also identified some critical success factors and key result areas, with a number of strategies under each and some initial 'targets'. We emphasised information and communication as priorities if we were to support a more patient-oriented health system and we also emphasised the Commonwealth's leadership role and the importance of our relationships with the many bodies and groups involved in health and family services. Despite some resistance, we pressed for the more integrated policy department option and some restructuring of portfolio arrangements.

The draft for comment was circulated within the department and portfolio and was the subject of a follow-up planning day for the whole SES before being finalised.

The approach was unashamedly top-down, designed to ensure ministerial endorsement, but allowing for bottom-up reality checking.

The final document was cleared through the department's senior management committee, endorsed by the two ministers and issued by me as secretary. It had a major impact on portfolio and departmental structures, governance arrangements, IT planning, staffing and culture. One of many initiatives was a major investment in leadership throughout the department and practical support for a learning organisation.

Management structures

Under the *Public Service Act* and the *Financial Management and Accountability Act*, the secretary has direct responsibility for the management of the department. Staff are accountable to the secretary. Management committees were formally only advisory, but I always placed considerable emphasis on them, particularly

in larger departments. They help with the management workload, ensure wider ownership of decisions and foster a shared commitment to strategic directions.



The Health Department Executive team in 2002 – Andrew Podger (seated) with David Borthwick, Mary Murnane and Professor Richard Smallwood (photo by kind permission of the Department of Health and Ageing)

Table 6.2 Top management structures

The basic model that I used was a modification of the one Tony Ayers used in the Department of Defence when I was there. It involved the following.

- A small executive of the secretary and deputy secretaries (or equivalent), which handled most senior staffing matters, discussed sensitive issues relating to ministers and external stakeholders and caucused on sensitive management issues coming before the management committee. It would meet informally (with only a brief record of decisions taken) each week over a glass of wine.
- A management committee that endorsed the strategic plan and any associated planning documents, decided on resource allocations across the department, monitored program expenditure and performance and implementation of budget and other initiatives, and reviewed selected policies and programs in detail from time to time. It would meet monthly, with a formal agenda, papers and minutes.

- Subcommittees of the management committee, usually an Information Management Committee and a separate but associated IT Committee, a Human Resources Committee, Finance Committee and Performance Committee. These were chaired by a deputy or a division head, meeting as required, usually monthly or bimonthly, with formal agendas, papers and minutes.
- Monday morning 'prayer meetings' of division heads and deputies for no more than an hour to identify key issues for the coming week. Each division head circulated on the Friday before a short email with dot points listing the issues, allowing the meeting simply to highlight key areas. These emails were copied to state managers to keep them in the loop and were usually passed to the ministers offices also.
- I also had a regular policy forum of the division heads, plus relevant policy staff, to discuss selected policy issues, usually of medium-term rather than immediate interest to the minister. I often attended these, but they were usually chaired by a deputy.

I reviewed the Chief Executive Instructions which underpin the high level management structure every few years, not only clarifying financial rules, delegations and so on for departmental staff (as required by the *Financial Management and Accountability Act*), but ensuring they reflected the APS Values and Code of Conduct and promoted the culture we wished to foster in the department.

The composition of the executive team is critical to making the top structure work. I always looked to a balance of expertise and personal styles. Subject-matter expertise is essential within the executive to ensure credibility with stakeholders, not least the minister. The team must also include strong management skills. Having at least one person with central agency experience also helps. Corporate knowledge and some continuity are also important, particularly in large departments, and I generally chose not to displace incumbents too quickly (if at all). As explained in Chapter 10, I felt it was also important for the service to have at least one deputy who was a strong candidate to be a future secretary.

As a rule, division heads were responsible for big programs and exercised very substantial delegations, and they had broad management responsibility regarding staffing and administrative resources. The management structure above them was intended to ensure cohesion rather than to interfere. Division heads generally reported to deputies, but I encouraged the deputies to act not as super-division heads but as quasi-secretaries (as mentioned earlier, where there were junior ministers, I allocated prime responsibility for supporting them to a deputy). I always preferred fewer rather than more deputies in organisational structures.

Division heads' authority for staffing was subject to the budgets they held for administrative purposes and centrally determined pay and classification arrangements. The latter has become an important element of a secretary's management responsibilities.

Organisational performance management

While I held each division head responsible for the management of their business units and programs, the departmental management committee also regularly reviewed program performance. In the Health department, we put extra effort into this through the department's Performance Management Committee. This committee would meet regularly to discuss particular programs, focusing on the performance indicators and targets for each program in the portfolio budget statement and reviewing the management of risks against risk plans. The committee might also suggest more formal evaluations from time to time.

This built a corporate ownership of the programs we were managing, allowing the interactions between programs to be regularly reviewed and some cross-program learning to be applied.

The committee also monitored the implementation of key initiatives including major budget measures. This required a project management approach and I frequently established a formal project team to manage some of the more complex initiatives (such as the reforms to private health insurance). The committee also used Gantt charts to monitor progress of all the key initiatives, ensuring I was kept informed of significant problems and could advise the minister accordingly. This was the beginning of what has since become a more sophisticated whole-of-government approach to improving and monitoring the implementation of government decisions.

I encouraged the use of quantitative measures of program and project performance but was always mindful of their limitations and the need for a broader appreciation of how well a program or project was running.

Staffing

Making senior appointments is perhaps the most important element of a secretary's management responsibilities and one that takes considerable time and effort. Selection of SES officers is subject to certification by the Public Service Commissioner, but agency heads take the decisions and run the process. I always chaired selection committees for deputy-level appointments and took close interest in all SES appointments and movements, which were always discussed by the executive. I also monitored appointments and movements at EL2 level, regularly updating information about high flyers and pursuing strategies for their training and development, including through transfers and placements on project teams to broaden their experience.

Having credibility with key stakeholders is also essential to the department's effectiveness, requiring careful balancing of generalist and specialist skills at even the most senior levels. Seconding Professor Judith Whitworth, a world-renowned medical researcher, as Chief Medical Officer in 1997 literally transformed the Health department's relationship with the medical profession, complementing our already strong capacity in public health. When she left, I appointed in her place Professor Richard Smallwood, former President of the Royal Australian College of Physicians and Chair of the National Health and Medical Research Council (NHMRC). In the Housing department, having a small number of city planners, a top team of housing policy analysts and a senior officer with a strong industry background ensured credibility with the states and the housing industry.

I put a lot of effort into the performance assessment system in each agency I managed. The broader process of performance management described earlier closely guided individual performance. Individual performance agreements were linked to program (and project) performance as well as to the strategic plan priorities concerning management of staff, building team capabilities, fostering external relationships and upholding values through personal behaviour.

Assessment against these agreements was also subject to a strict quality-assurance system to make performance assessment obligatory and to try to maintain consistency. The system involved regular direct feedback during the year and the provision of draft ratings by supervisors to their supervisors at the end of the year before final decisions were taken. The supervisors' supervisor would then meet with the supervisors together to gain endorsement that the proposed assessments were consistent.

Table 6.3 The 'manager-once-removed'

The role of supervisors' supervisors, or 'managers-once-removed', is essential not only for quality assurance and consistency of performance appraisal by supervisors, but for mentoring, career planning and succession management.

Supervisors are in the best position to answer staff questions on 'what's my job' and 'how am I going'.

The manager-once-removed is far better able to advise staff on 'what's my future', taking into account past experience as well as current performance, and identifying potential roles and appropriate longer-term development opportunities.

Despite much criticism, I also used a very broad template to guide the performance-appraisal process, allowing departures from the template where a

branch or division had clearly performed exceptionally (or badly). I also experimented with upward appraisal, which worked successfully if not linked to the end-of-year assessment but focused on personal development and improvements in team performance.

Performance appraisal formed just one of the elements aimed at enhancing the organisation's capability (Table 6.4).

Table 6.4 Strengthening organisational capability

Over time, I tried to build organisational capability through a series of linked people-management processes.

These processes included:

- performance appraisal
- individual development plans
- statements of required skills and knowledge for each business or team
- training and development plans
- succession management plans
- recruitment and retention strategies.

It was not possible in practice to adopt this framework all in one go: it took several years to introduce.

As each process was introduced and then matured, it would influence the other processes and build an integrated framework helping senior managers (and me) to focus on and improve the capability of our business.

This integrated framework had some important impacts, including a firm shift in training and development to include 'technical' skills related to the administration of programs and the relevant legislation (as well as generic administrative skills such as writing, supervision and leadership), a closer study of turnover and mobility and a more structured approach to recruitment at base levels and laterally.

I could not, as secretary, devote sufficient personal time and energy to drive this agenda myself. I relied heavily on having a head of corporate services and head of personnel who understood my agenda and had the enthusiasm to follow it through. In the Health department, Neville Tomkins and Andrew Wood played these roles successfully for several years.

Every two or three years, the department would enter into negotiations for a new enterprise agreement encompassing some pay increase and/or conditions enhancements combined with productivity measures. I generally negotiated

directly with staff as well as with unions, preferring the final agreement to be signed off by the staff (rather than just the unions). The process could be time consuming for me as well as for the senior managers most responsible for human resources as I always attempted to link the agreements not only to our budgetary position but to our strategic directions, which sometimes included industrially sensitive measures such as more robust performance management.

In line with the Howard Government's industrial relations policies, secretaries introduced individual Australian workplace agreements (AWAs) for their SES and most EL staff. Later, there was strong encouragement to widen the use of AWAs to all staff. My approach was to limit AWAs to senior staff only (with a small number of exceptions) and then to use a standard format within which the staff concerned could negotiate personal provisions such as the real pay (within the publicly known bands) and conditions. The standard format was part of an explicit remuneration strategy we developed and circulated, to ensure all staff could be confident of the integrity of our approach and that we were abiding strictly by the APS value of merit-based employment. As secretary, I was always involved directly in negotiations with my most senior staff.

Culture

Fostering a productive culture involves more than setting strategic directions and establishing an effective management structure—essential as these are. Leadership and values are important, even if they have become somewhat 'faddish' terms. A key instrument I used was a common program of leadership development across all middle and senior managers tied to our particular business (health or housing or administrative services). I inherited the customer-focused training program used so effectively by Noel Tanzer in the Department of Administrative Services in the early 1990s to help turn corporate government services into efficient and effective commercial businesses. I used Peter Senge's 'learning organisation' as the core theme in the departments of Housing and Health, those two organisations relying heavily on research and expertise for 'evidence-based' policy and management, and also on external stakeholders with very different cultures to bridge. I was also looking to build a more flexible and agile organisation, better able to manage change and handle uncertainty.

I personally attended at least one session of each of these many courses—Tony Ayers used to call such sessions 'fireside chats'—to clarify to staff my own views on the organisation's strategic direction and to demonstrate my commitment to a more open culture that promoted initiative as well as collaboration. These also reinforced my approach towards public service professionalism and offered opportunities for participants to examine my personal style and objectives. (The almost universal question in 1996 and 1997 concerned my tenure in the Health department: I could assure them only that my own desire was to stay for at least

five years but that proved a sufficient commitment for most to give their full support for the directions I was pursuing.)

The purpose of the leadership development program, and related activities, was to gain alignment across a large organisation based on genuine commitment and enthusiasm rather than mere compliance. The key to this was to gain the support of the middle managers—those whom most staff considered to be their team leaders and who more senior managers relied on to get things done. I had become increasingly aware over my career of the importance of teamwork, particularly by middle managers, and the role of team leaders in setting the example for their staff. I was fortunate to participate in a series of remarkable teams—the Income Security Review in the Department of the Prime Minister and Cabinet, the Development Division in the Department of Social Security, the Finance department—and learned that their success was only partly due to the calibre of the individual team members. As important, if not more so, was the example set by the team leaders and the environment that allowed them to take the initiative and to accept personal responsibility.

Complementing the leadership development program in the Health department was an ethics awareness program for all staff, which continued for all new staff (see Chapter 10 and Table 10.1).

Another important tool in fostering a productive culture is the celebration of success and showing pride in history. I was pleasantly surprised by the level of interest and support in the Housing department's celebration of 50 years of the Commonwealth–State Housing Agreements and in the Health department's celebrations of its eightieth birthday in the centenary year of the Commonwealth. The book we commissioned that year from author Francesca Beddie, *'Putting Life into Years': The Commonwealth's role in Australia's health since 1901*, in which I took very close interest, was widely commended within and beyond the department.

Awards are simultaneously perceived cynically by staff from a distance and hugely appreciated by those getting them and those near to those getting them—as long as the peers believe they are deserved. I put considerable effort into having some awards for successful teams and individuals, recognising the risks if our judgments were astray.

Enhancing and sustaining capability involve each of the elements mentioned previously but also investments in staff recruitment and training, management and IT systems, and external relationships. As outlined in Table 6.4, I called for statements of required skills and knowledge from each area of the department as a key building block for identifying gaps or potential gaps and strategies for filling them via recruitment or staff development, including staff rotations. These statements provided a more balanced perspective on what was required than

had previously come from human resource areas on their own and strengthened the professional culture we were aiming to build.

Systems

We invested heavily in IT, particularly in the Health department. Our longer-term vision was a nationwide system of electronic health records to support integrated health care, but most of our investments were in systems for internal administration and management of programs. Our success was mixed. I believe health managed better than nearly any other agency the government's policy on IT outsourcing, employing a carefully designed project management approach that focused on the business requirements of the department and the then Health Insurance Commission. Less successful was the introduction of a new administrative system in 1998, where our ambitions for improved records management and electronic administration of personnel decision making such as leave went beyond our investment in consultation and staff training. I learned the sad lesson that if management gets the basics such as IT support wrong, it loses credibility among staff for everything it does (this was revealed in our first comprehensive staff survey shortly after this IT failure).

Managing policy advice

Policy advising is part and parcel of supporting the minister (Chapter 3) and occupied a great deal of my time. Management of the policy advising process is, however, a key management task as well. The management structure I generally had in place entailed a central or strategic policy unit and policy capacity within each of the program divisions. The balance was always an issue.

Quality assurance was provided first through the hierarchy, with minutes to the minister required to be signed by SES officers and copied up the line, and deputy secretaries (if not the secretary) always engaged in more substantial policy discussions; the originating author, usually a non-SES expert, was identified as the contact officer. Second, we used cross-departmental processes such as the policy forum and the role of the central policy unit (which, for example, coordinated budget proposals) to ensure wider coordination and to foster internal debate. Failure to consult across affected areas of the department was treated firmly. Policy advising capacity was also enhanced by longer-term analysis, particularly within the central unit, but also through external linkages such as with the Australian Institute of Health and Welfare (AIHW) and the National Health and Medical Research Council (NHMRC) (in the Health portfolio) or the Australian Housing and Urban Research Institute (AHURI) (in the Housing portfolio).

Differences

The main difference between the agencies I led related to their size. Smaller agencies such as the APS Commission and the Department of Housing did not require elaborate structures for control or to ensure collaboration as did larger agencies. The fundamentals of management, however, were the same and the issues very similar. The people-management issues were somewhat more complicated in agencies with different internal cultures to manage (which was true of housing as well as health), but in any organisation they require considerable effort by the agency head personally.

Agencies also have different cultures and it is sometimes important to shift the culture (Table 6.5).

Table 6.5 Enthusiasm, scepticism and cynicism

Balancing enthusiasm, scepticism and cynicism was a common challenge in each agency I led; however, the starting point differed each time.

I found the Department of Health in 1996 to be a rather cynical organisation, too quick to find fault elsewhere and to question motives. The uncertainty created by the change of government certainly added to unease, but did not explain the lack of trust within the organisation and with many external stakeholders. One of the themes of the leadership development strategy was to counter this cynicism through better understanding of the roles and perspectives of different groups within the department and across the health and family services system, while confirming the importance of scepticism (as fundamental to professional advising and to scientific discovery). I also encouraged enthusiasm for departmental policies and processes where these had been carefully developed and well considered within the organisation.

On the other hand, I found the Australian Public Service Commission in 2002 to be an enthusiastic little organisation, eager to embrace new ideas, particularly on management. It had pockets of cynicism, but its main weakness was its lack of scepticism about the latest management fads and fashions. One of the themes I pursued as Public Service Commissioner was to 'hardwire' the commission's initiatives in leadership development and values-based management into the realities of public service administration (see Chapter 12).

Different personal styles clearly affect the approaches of agency heads to management. My own style was probably somewhere between a Tony Ayers (keenly interested in management) and an Ian Castles (keenly interested in policy analysis and relying on others to help manage the organisation): recognising

from Ayers the vital importance of people management but knowing that I, perhaps not as much as Castles, needed support on the management side to complement my strength in policy analysis. I primarily used the executive and the management committee to support me, rather than delegating management responsibilities to a deputy, which Castles tended to do. My style was, I like to think, more collaborative than some of the more famous mandarins of the past (recent and decades ago), but my personality required some solitude to analyse and reflect on important issues, and then to take personal responsibility for my decisions. I was sometimes criticised for not having enough 'mongrel' in dealing with under-performing staff, but I would prefer to err on that side than the opposite: in any case, positive reinforcement is usually more effective than negative feedback.

Changes over the years

The importance of an agency head's management responsibilities increased substantially during the 1980s and 1990s with the new public management reforms. These included the devolution of many financial and human resources controls to agencies combined with increased accountability of agencies and their heads for results. The changes were reflected in the new legislation of the late 1990s governing agency responsibilities for financial and human resource management (the *Financial Management and Accountability Act 1997* and *Public Service Act 1999*). Associated with these changes were sharply increased emphases on strategic and business planning, performance management and performance reporting and a tougher financial environment through efficiency dividends and other pressures for productivity improvement.

The primary focus of these reforms was initially on financial management, but in the 1990s, people management became an increasingly important part of the agenda with agencies responsible not only for all aspects of staffing numbers and profiles, organisational structures and recruitment, but increasingly for pay and conditions under enterprise bargaining and then under the *Workplace Relations Act* (to which the *Public Service Act 1999* specifically referred). That act reinforced the Howard Government's policy of industrial relations flexibility, including through individual AWAs. While the Rudd Government has since barred AWAs for the Public Service, there remain considerable variations from agency to agency regarding pay and classification (and conditions) and, within agencies, regarding individual levels of remuneration within pay classifications. Managing industrial relations issues became a significant responsibility for agencies and their heads from the early 1990s, whereas previously these were mostly handled centrally.

Apart from these industrial relations responsibilities, the increased focus on people management encompassed such initiatives as performance management, leadership development, values-based management and workforce planning.

The APS Commission and the Management Advisory Committee fostered many of these throughout the APS, but the detailed work was left to agencies and their heads.

Another important shift in the past two decades has been towards greater use of project management rather than (continuing) program management. The move to more rapid change and to working across boundaries has required managers to be more agile and flexible, relying less on continuing structures and more on time-limited project teams and so on to manage new initiatives or particular challenges and crises.

Not independent of this has been the need for more expert management of communications. This management shift rivals the financial management reforms of the 1980s as the biggest shift in my time. It covers managing communications with internal and external audiences and is now an essential part of managing agencies, implementing initiatives and managing programs (see Chapter 9).

Devolution and other issues

There have been many benefits from devolution, particularly in allowing more emphasis on achieving each agency's business objectives. They were, however, somewhat oversold, in my view, particularly in industrial relations.



Devolution at its height: Andrew Podger launching the Department of Health and Aged Care logo in 1998 (photo by kind permission of the Department of Health and Ageing)

At the time, I accepted the responsibilities and invested heavily in exploiting the flexibility I had to promote the business objectives of the agencies I managed. This included using performance pay to reward individual performance, to allow

some pay flexibility for attraction and retention and to engage directly with staff on business improvement and so on. This was all well intentioned, but I now question the value of the overall investment in industrial relations, which was not only of senior management's time but, in the Health department, meant considerable disruption throughout the organisation. I now note that some colleagues gave mainly lip-service to the then government's policies and continued to use essentially traditional industrial relations processes of negotiation exclusively with the unions, and their outcomes were essentially the same as those the rest of us achieved. Some others very enthusiastically adopted the government's policies, sometimes with disastrous effects on their agencies' performance and staff morale.

That said, some flexibility in pay had significant advantages, including the attraction and retention of specialist staff. I signed the first AWA in the APS in 1997 with a new chief medical officer; I could not have recruited her or anyone else of her calibre under the old system.

A broader issue is whether the increased management responsibilities have contributed to a weakening of policy advising. As discussed in Chapter 3, I suspect it has to some extent. I sadly doubt, for example, that the current system would ever appoint an Ian Castles to be a secretary. And I know the time I devoted to management did reduce my capacity to contribute personally to policy development. I do not advocate, however, relieving agency heads of these management responsibilities, which, if handled well, should support strong policy advising capacity within the organisation.

One aspect of this issue is how best to balance the size and role of a central policy unit in a department with the policy responsibilities of the program areas. Linking policy and administration is essential for realistic policy advising. The program areas, however, are inevitably drawn into immediate management problems and shorter-term policy fixes. I tried to address this weakness through policy forums and through strengthening the central policy unit (particularly in the Health department) with some capacity for longer-term policy research. The program areas generally did not welcome the latter moves but, with hindsight, I feel I should have invested even more in the central policy unit. Certainly, one of the key lessons from my experience in the Development Division in the Department of Social Security in the 1970s was the value of a strong, central policy unit with its own research and statistical capacity.

One of the strengths of the reforms of the Hawke/Keating Governments was the more systematic gathering of performance information and evaluation of programs. Cabinet submissions were required to identify research and evaluation evidence in support of policy proposals and to set out how the proposed new policy would be evaluated. In a short-sighted attempt to reduce the size of submissions, the requirement was dropped in the late 1990s, and evaluation was

no longer a mandated requirement. While performance reporting continues to contribute to 'evidence-based' policy advising, the loss of internal capacity and systematic evaluation, and the increasing reliance on chosen external consultants, has affected the capacity of departments to offer high-quality policy advice.

Strategic planning, like many other modern management initiatives, can be formulaic, adding little, if any, value. Plans that end up sitting on shelves without influencing resource allocation, priorities and behaviours reinforce cynicism. Critical to making the planning process work are the quality of the information and analysis used in the process, the openness of the discussions involved and the willingness to engage widely within and beyond the organisation. All of these present risks.

Table 6.6 Tea cosies

The retreat to develop the first strategic plan for the Department of Health and Family Services in 1996 (Table 6.1) was one of the most difficult management meetings I ever led.

There was unease about the new government, particularly after the dismissal of a number of secretaries (including the husband of one of my division heads), the culture among senior executives was more akin to that of robber barons than united leadership and there was unease about me as the new secretary.

I engaged one of the best facilitators in Canberra, Lynette Glendinning, to assist me. She has told me often in the years since that it was the toughest assignment she ever faced.

One division head sat in the centre, arms folded and legs outstretched, making it abundantly clear he was there under sufferance. An enormously talented and knowledgeable officer, he was nonetheless closed to new management ideas and determined to protect his particular empire. Our state offices, for example, were merely creatures of history in his strongly stated view and should be strictly limited to working on community services programs and have no role under any circumstances in health programs.

Two other division heads sat to one side, crocheting a tea cosy. The completed cosy, presented to me a week or so later, remains one of my prized memorabilia. I like to think, perhaps fancifully, that its presentation to me was a sign of reconciliation: that its two creators accepted in the end the value of the exercise, recognising my genuine determination for open discussion and wide engagement, leading to a plan that would indeed help to shape the future direction of the organisation.

Performance management is well entrenched in the Australian system of budgeting and reporting, with considerable benefits in the past 25 years in terms of improved focus on effectiveness and efficiency. It is, however, easy to be sucked into unrealistic 'outcomes' approaches with meaningless outcomes statements and limited connections between the program activities and the claimed outcomes. A degree of scepticism is required along with a practical outlook, using a mixture of input controls and output measures, with regular evaluations of impacts; and a broad appreciation of the usefulness of the program or project taking into account the multiple objectives often involved.

Individual performance management remains one of the most vexed issues for any CEO. The most common complaint from staff about their senior managers is the failure to address under-performance; yet, ensuring robust staff appraisal and introducing rewards for performance always face opposition from staff.

Allan Hawke, Secretary of the Defence department (1999–2002), always opposed any formal process of calibration to ensure consistency, suggesting instead the system should focus purely on individuals and how they were improving (or not) each year. My unease about this approach is that it can lead to ignoring poor performance and focusing entirely on pats on the head (or, as Tony Ayers used to complain about such systems, that 'everyone walks on water'). On the other hand, it is also true that most people respond better to acknowledgment of achievements than to the highlighting of their weaknesses.

The other aspect of this issue is the role of performance pay. Despite years of hard work to get a system to work, I now accept that it is just not worth the effort. My support for it was never based on potential incentives to improve performance, but on the discipline it imposed on the process, requiring supervisors to establish performance agreements with all the staff concerned in line with our strategic directions and to provide feedback at least once a year. I have seen too many appraisal systems disappear into the sand as staff and supervisors put off preparing agreements or giving feedback because they think there is more important work to do; I have also seen too many supervisors unwilling to give any critical feedback, particularly when the system does not demand some differentiation in assessments. Despite these risks, I now look back and accept that the disadvantages of performance pay outweighed the advantages. I might have imposed a robust appraisal and feedback system successfully without the pain of the continuing controversy and staff unhappiness with the performance bonuses.

Table 6.7 Making performance assessment work

When I first came into the Health department in 1996, the department had a performance-pay system for the SES (which at that time was mandatory in all agencies). The system was a complete mess and had no credibility with staff. How bad it was became clear to me when I insisted, in the first round under my secretaryship, that division heads advise me of the proposed performance ratings of their branch heads before telling them. Very quickly, I could see there was no consistency from division to division.

I therefore called a meeting of all division heads and, armed with a whiteboard, I asked each in turn to name each of their branch heads and the performance rating they proposed. As each division head finished, I asked the others for any comments. There were none. The lack of any corporate management structure at the time had led the division heads to behave independently, jealously guarding their own territory and not commenting on another's decisions for fear of, in time, losing their own authority to the centre.

As the names and proposed ratings appeared on my whiteboard, however, it was becoming increasingly clear that the standards being applied were hugely different. This could not be ignored when one division head listed his five branch heads and said he proposed that every one be given an 'A' (outstanding) rating. Again, I asked for comment from the others and, initially, there was silence. Then a few said that, while they could not comment on the branch heads from another division, they now wanted to revisit the ratings they had proposed for their own staff. Finally, one said that, while he did not have as much knowledge of the individuals as the relevant division head, he did think from his (quite close) dealings with them, two were not as strong performers as the other three. There were nods around the table. At last, we had the beginnings of a process to get more consistency in the system.

I chose not to press the matter too hard in this first round, but did ask the division head claiming his five branch heads were all outstanding to review his proposed ratings in light of the discussion and come back to me. He did, proposing three 'As' and two 'Bs'. I decided to concur.

Next, I had two angry branch heads contacting me demanding to know how I could have downgraded the rating by the supervisor with whom they worked most closely when I did not personally know of their performance. I met with each of the branch heads, telling them frankly of my determination to get consistency of standards in the appraisal

process throughout the department and reassuring them that a 'B' rating was indeed very high against the overall distribution across branch heads.

In time, we established clearer performance agreements that covered program and management responsibilities and targets, with personal development action also identified; and we systematised the processes involving supervisors' supervisors to ensure consistency of standards. Even then, however, I could not say the system was universally supported.

Most importantly, I became increasingly aware in the APS Commission of the research evidence that organisational performance was enhanced, not by performance pay no matter how well designed and managed, but by timely, positive and fair feedback together with clear alignment of individual work requirements with organisational goals and by management effectively removing obstacles to good performance (including getting rid of under-performers). I hasten to add for those critics who have always opposed performance pay, performance assessment and feedback is never an easy or uncontroversial management issue and in some ways removing it from pay decisions makes it harder, not easier.

Another difficult issue in management is building a winning team, moving on the people who do not fit while winning the loyalty and enthusiasm of the others. The division heads I inherited in the Health department were, individually, highly talented and hard working. They knew their areas of responsibility and were generally very good policy advisers. Together, however, they operated as robber barons and it was my job to change that, to build a cohesive team. Sadly, that required encouraging one of the very best to leave. As a colleague told me at the time, you can have a really top rower in your crew, but if he insists on sitting backwards, at some time you have to tip him out. It was not an easy time and I lost some other excellent officers who preferred not to stay and support the changes I was instituting (management change was not the only concern — there was also apprehension about the government's policies towards the public service). A conclusion for me was that good performance required far more than technical expertise, or even good management of a division or branch: it also required collegiality and good corporate behaviour. My own personal behaviour—being as open and honest as possible and listening carefully to everyone before deciding—has also always been essential to building team spirit.

Another issue is the minister's involvement in senior appointments. Secretaries are responsible for all employment decisions in the department and ministers are prohibited under the *Public Service Act* from giving directions on such decisions, which must be based on merit. I took the view, nonetheless, that I

should inform the minister before making senior appointments (that is, deputy secretary and, sometimes, division heads), while emphasising the decisions were mine and that the Public Service Commissioner had to certify that the process was properly managed. In the case of deputies, who from time to time act as secretary, I believe there must be a level of 'comfort' about the people appointed.

Table 6.8 Selecting deputies: there's more than one way (for the minister) to skin a cat

In 1994, I was establishing the new Department of Housing and Regional Development and filling the deputy position. In those days, the Public Service Commissioner had final responsibility for SES appointments (subsequently, the role was reduced to certifying the process of appointment). The selection process identified the preferred candidate on merit and I advised the minister that I would be recommending him to the commissioner. The minister, Brian Howe, favoured another candidate and pressed his case with me on a number of occasions. I stood my ground, emphasising the importance of the merit principle and why the preferred candidate was superior, noting nonetheless that his favoured candidate was second on the merit list. I also noted that the final decision was not his, or even mine, but the commissioner's.

At that time, the Minister for Finance determined SES numbers and levels and I had been negotiating with the Secretary of the Finance department, Steve Sedgwick, the SES establishment for the new small department. We were nearing settlement when I told Sedgwick that my minister might be proposing to Beazley something different: a second deputy secretary.

To Sedgwick's displeasure and my bemusement, that is what happened. Beazley understandably deferred to the Deputy Prime Minister, I gained an extra deputy and two people were appointed entirely on merit. And the team worked extremely well together.

Lessons

Michael Keating warned me when I was first appointed a secretary that the old adage, 'it's lonely at the top', was absolutely true. He was right. That is particularly relevant to the secretary's overall management responsibilities. There are aspects of these that cannot be discussed internally at all, including the appointment and performance of deputies. Other aspects can be discussed to a limited extent, but in the end it is your call, including in particular matters going to management style and organisational culture.

Key lessons for me include the following:

- Strategic planning is a vital tool for top management but must be done well. It allows ministers to have confidence that their agenda is being pursued and to influence the way the department does so. The process can also engage middle-level (and even junior) staff as well as senior management, building wider ownership of the strategic directions finally determined. The process can also engage stakeholders, strengthening relationships and mutual understanding and respect.
- Organisational performance management is an essential part of top management and increasingly requires a project management approach to monitor implementation of key initiatives. Some scepticism is needed, however, rather than blind acceptance of the current enthusiasm for outcomes-based management.
- Individual performance management remains a difficult challenge and there is no easy answer. My main lesson is not to run away from it. I no longer advocate performance pay but, in the absence of that, it is important not to drop the ball and let regular and robust performance appraisal slide.
- Structured performance management can enhance personal development and career planning: involving supervisors' supervisors not only helps consistency of appraisal, it opens up dialogue about a person's future (which immediate supervisors might have little interest in) as well as their current job and performance.
- While it is right and proper to inform ministers about proposed senior appointments, particularly deputies, the secretary must not allow the minister to think he or she can decide, and the secretary's decision must be made on merit.
- The personal behaviour of a secretary is critical not only to developing a strong and enthusiastic management team, but to setting the style of the whole department.
- 'Soft' skills of leadership among all managers, most particularly the middle managers, need to be enhanced and encouraged. Having section heads onside is the tipping point of organisational success: they are the ones whom most staff down the line look to as their team leaders and they are the ones senior managers rely on to get things done.
- This needs to be done in a 'hard-nosed' way, avoiding content-free rhetoric. Leadership also needs to be complemented by specific management and technical skills.
- In promoting teamwork, I also appreciated the risk of 'group think', where the pressure for consensus and desire to please peers and more senior staff could discourage real debate.
- Considerable effort needs to be given these days to the design and efficient operation of information and communications systems. These are central to the delivery of programs and the smooth management of the department.

When they go wrong, everything goes wrong, including staff confidence in senior management and staff morale (see also Chapter 9 on communications management).

- The other main lesson I draw from my experience is the importance of allocating time and resources for policy research and development. Pressures from ministers and pressures of program delivery can squeeze capacity for longer-term research and development. Some suggestions for personal approaches to preserve a longer-term perspective and a depth of analysis are set out in Chapter 2. Management options for addressing this danger include retaining a capable central strategy unit, promoting systematic program evaluation measurement, setting aside time for policy forums in the department and drawing on external expertise through close partnerships, including with specialist research or statistical agencies.