

**Crossing the divide**  
Private sector recruits  
share their views on  
their new public sector  
environment



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This report provides  
an important reference  
point on Australia's  
public sector today  
and where it could  
be in the future

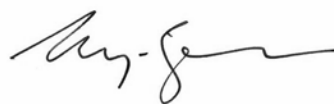
# Foreword

I am very pleased to commend this research to the continued debate of reform in the public service. In my own career I have 'crossed the divide' between private and public service (and back again) and firmly believe we can learn from both sides. I have met and worked with very talented and committed leaders in both the public and private sectors and I think they have more in common than their apparent differences.

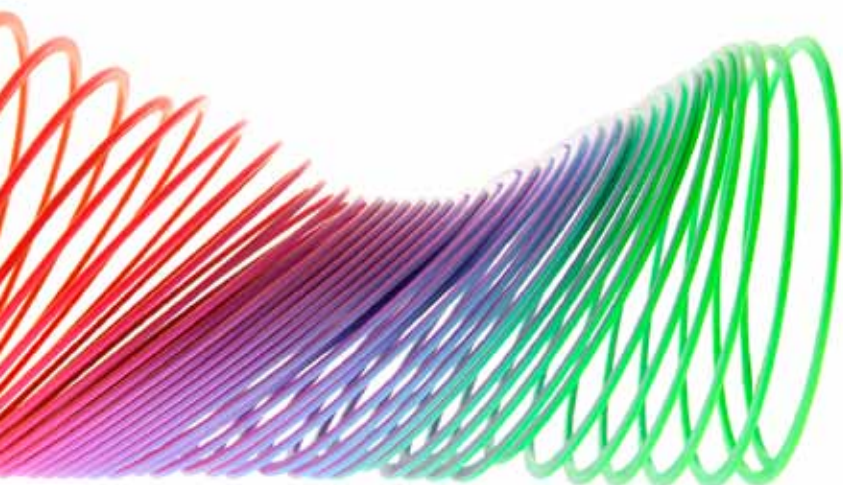
Undoubtedly, given the tremendous reform agenda of governments throughout Australia, and the increasing expectations of the constituents they serve, public sector leaders will be under increasing pressure to perform. Learnings from the private sector, especially from those that have worked across different industries, are useful and insightful.

This report on the impressions of those external recruits to the public sector provides an important reference point as to where Australia's public sector is today and where it could be in the future.

I would like to thank all the senior executives we interviewed for this report. Without their insights, perceptions and candour it would not have been possible.



**Wayne Goss**  
Chairman  
Deloitte Australia



# Executive summary

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## The public sector, at the Commonwealth, State and Territory levels, is under increasing scrutiny as governments embark on aggressive reform programs across portfolios and jurisdictions

As a consequence, Australia's public sector leaders are being called upon to improve policy making and program delivery in an increasingly complex environment. Often, observations from those new to an organisation can provide insights and perspectives not immediately apparent to those focused on the job at hand. In an effort to capture these insights, Deloitte interviewed 40 people who had recently joined the Senior Executive Service (SES) ranks of Australia's Commonwealth, State and Territory governments from the private sector. This survey is similar to research conducted by our colleagues in the United Kingdom and provides an interesting comparison between the SES and the UK Civil Service.

The SES, providing the leaders of the public service, has strong roots in the Westminster system. It serves the government of the day and is accountable to Ministers, the Parliament and the public. In the Commonwealth Australian Public Service (APS) alone, the SES is made up of around 2,700 professionals leading approximately 160,000 staff (excluding Defence Force personnel) across 97 departments and agencies. There are a further 1.3 million Australians employed by hundreds of agencies across the states and territories. By any definition, this is a large workforce with widely different organisations in terms of both scale and mission.

Our interviews with senior public sector leaders revealed a number of consistent themes:

- The vast majority of those joining the SES from the private sector did so to make a contribution to society and/or to take on a particularly challenging role
- The SES, particularly at the most senior levels, is made up of highly talented and capable leaders
- The process of induction or on-boarding may be effective administratively, but often leaves out some of the important nuances for a new entrant to be successful in their role
- A level of bureaucracy still exists within the public sector and there is room for improvement
- Performance measures are not clearly defined or consistently applied and performance management remains a key challenge for public sector reform.

This report focuses on what externally recruited senior executives shared with us in a series of interviews. At the very least, it should paint a useful picture of the typical experiences of the recruits, and where those experiences differed. It should also highlight opportunities to refine current practice.

We have made a number of observations and recommendations as a result of this project. In the main, we found that:

- Issues faced by Senior Civil Servants in the UK are similar to those of the SES in Australia
- There are lessons from the private sector that can be successfully applied to a public sector environment and vice versa
- If the Australian Public Service wants to encourage more private sector individuals to cross the divide, it needs to appeal to potential transferees' desire to make a difference, improve the familiarisation side of the on-boarding process and implement a more effective performance management system.

We hope this report will be a useful resource for senior decision-makers, public sector recruiters, students of government, and anyone concerned with the type of public services Australia will require in the future.



# Finding one:

## *Why people join the public sector & the SES*

### 'I would rather make a difference than make a dollar'

By the time you have spent a number of years in a large corporation, private professional firm or not-for-profit entity, you have acquired proficiency in a familiar environment, with known rules and expectations. Why would you contemplate a cultural upheaval by moving to public sector employment?

The majority of interviewees were attracted to public service by:

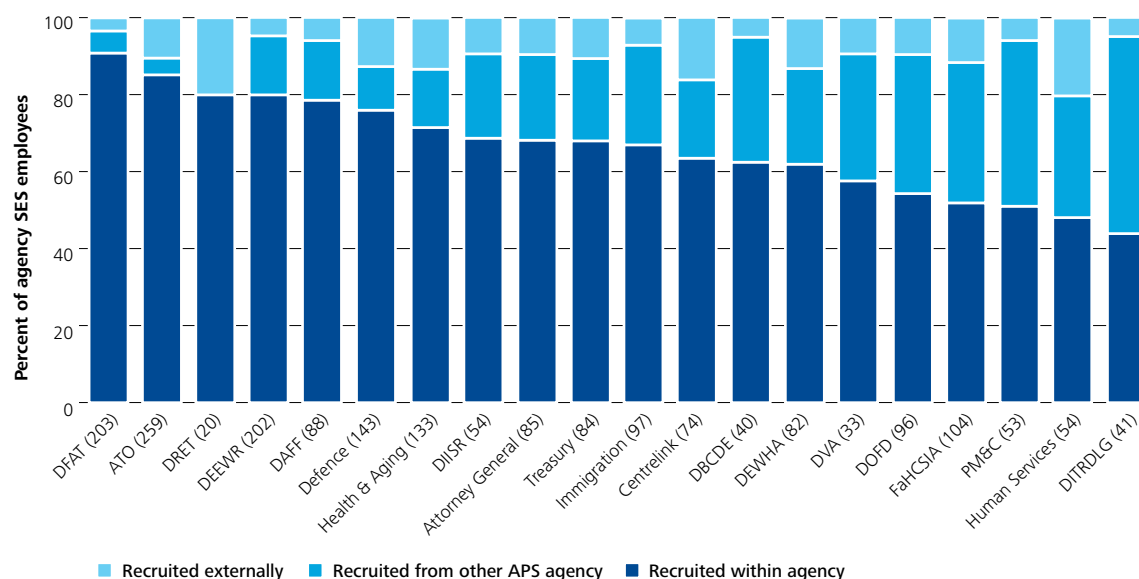
- A desire to contribute to society and make a difference
- A particularly challenging role or opportunity.

Our research is consistent with the findings of the State of the Service Report (SOSR), produced by the Australian Public Service Commission. The top three attributes that attracted senior executives to their current jobs were 'the ability to contribute to making a difference and the agency's reputation for doing important work', along with interests/experience matching their responsibilities.<sup>1</sup>

It is also interesting to examine the percentage of senior executives recruited externally. *The Reform of Australian Government Administration* discussion paper of September 2009 cites the APS Employment Database (see Figure 1).

As Figure 1 indicates, a high proportion of senior executives are recruited internally either from elsewhere in the Australian Public Service, but more likely from within the agency. The SES 'lateral hires' are in a small minority and not necessarily recent hires; many of those listed as external recruits may have now been in the public service for many years.

**Figure 1: Source of recruits to SES, selected APS agencies, June 2008**



<sup>1</sup> State of the Service Report 2008–09, p 87

The discussion paper poses the question that such a history may be a likely 'contributing factor to a lack of outward focus.'

*The challenges of external engagement and skills requirements will result in a push to recruit increasing numbers of SES from outside the APS.*

### Making a difference

There is a wide variety of motivations that we grouped under 'making a difference' – from the desire to contribute to the community, to an impulse to try something new, address a massive technical challenge, take on a specific enterprise-type assignment or random chance.

"It's a sense of community service," says one State recruit. "I would rather make a difference than make a dollar. I want to make the world a better place, making a contribution. The public sector is a significant way to achieve this as it is there to do public good. Being part of the councils of government, where discussions and decisions are made, and giving counsel to others is seductive."

*The SES can and does attract excellent talent, and that talent is attracted in the main to a particular challenging role or the opportunity to contribute to society.*

Others spoke of wanting to do public good and help people, having a personal interest in the opportunity to implement change and adding value to the community. In the planning area, it was an opportunity to influence policy, programs and processes in large-scale tasks needing a lot of preparatory work.

A high-level recruit in one central Federal department spoke favourably of the size of the challenge, the uniqueness of the task, the integrity of the organisation, the opportunity to effect transformational change and a productive relationship with those above. Another senior level public sector appointee appreciated being given areas of responsibility to make a difference and was enjoying the challenge of having a role aligned with previous business experience.

One Federal hire had always enjoyed working in a range of different industries, his main driver being to experience and learn different things. A lot of interaction with government in previous roles had stimulated his interest in a government job and the chance to make a positive contribution to society. He was attracted to the scale and size of the public service, and working in a central agency. The job history of another individual includes commercial law and work as a ministerial advisor before being asked to lead a public sector agency.

Today, it is much more acceptable for people to move in and out of the public service several times during their professional careers. One curriculum vitae included working with a small team on an interesting research area in the public sector, a spell as an academic, a return to public employment for negotiation work, and an extended period in investment banking.

"It was great experience across infrastructure," says the subject, "but [it involved] working crazy hours and international travel all the time." In a search for a better work/life balance, he was prepared to return to interesting work in government, even with a substantial pay cut.

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## In some specialties, including financial roles, the public sector offers the prospect of complex, high level work where a professional can capitalise on previous private sector experience

*Careers are no longer in the form of 'ladders' but 'lattices' – criss-crossing between industries and organisations to gain experiences that depend on challenge and opportunity.*

Federal and State treasuries, taxation and State finance departments, investment agencies and financial regulatory bodies are typical employment opportunities. The technical aspect of the role, particularly international financial issues, and the interaction with business was the attraction for one Federal recruit. A colleague in the same area cited the benefits as increased opportunities in transactional, technical work; friends already working there; and time to do complex tasks thoroughly.

The move to the public sector was fortuitous for one State finance expert with a chain of events that led in that direction. "When the opportunity came up, I had never worked in the public sector so that was a challenge," he concedes. "But the role was such that I would still have a lot to do with the private sector. The opportunity fitted with my experience and skill set. I hadn't done much work with government and saw it as an opportunity to build relationships in government. The immediate challenge was meeting a large number of people in a short space of time and remembering who they were. I saw this as a great role to grow into. When I started the plan was to return to the private sector after three years but that hasn't happened."

A variant is the case where the role is the attraction, no matter whether it is located in the public or private sector. One specialist seeking a transition from audit work to large-scale accounting work noted that a lot of these roles are in the public sector, and it was this functional reality that saw him cross the divide to the public sector. As another transferee points out, that is particularly so if you happen to be located in Canberra, where commercial business is mainly small to medium, and government is the big end of town.

Lobbying, public affairs, government relations and management consulting are four employment areas typically linked with government policy work. Unsurprisingly, there is a modicum of two-way traffic in these areas. One inductee had always wanted to join the public service, but did so via several years in a high powered management consultancy, and a spell in State government before going Federal. He doesn't see himself as a career public servant, but is attracted by the policy issues, complexity and difficulties of public decision-making. He says he is likely to work in, or around, the public sector during the remainder of his career.

One lateral hire for the public service developed a passion for a public policy issue while doing senior relationship work for the parallel private sector part of the economy. Moving to the government side gave direct involvement in the changes, with some reorientation of viewpoint from a lobbying approach to a government perspective. Another interviewee was doing public policy consulting in their private sector role, so the culture shock of the transition to public employment was less significant. In the new job he found: "You could work on policy issues within your own conscience and skills set and enjoy a better work/life balance."

These findings were entirely consistent with Deloitte UK's research which found "the over-riding motivator is impact... over and over again" the interviewees said, 'it's interesting, really interesting', 'the breadth of work, complexity and range', which 'directly impacts the lives of individual citizens.'<sup>2</sup>

<sup>2</sup> Deloitte & Touche LLP, Transfusion: Private to Public, 2008, p 4.

### Luck or design?

For several recruits from the private sector, the switch seems to have been a matter of circumstance. One person was not actively seeking a position in the public sector but responded to an advertisement. Had she known it was in the public sector she would not have applied, due to preconceptions about who she would be working with and the relevance of her qualifications. However, the position looked like a challenging change management job, under a superior with a good mix of private and public sector experience. With the chance to learn from a proficient senior executive, the job became an attractive prospect.

*Recommendation: Tailor the recruitment process to appeal to the emotional side of candidates – their desire to make a difference, a challenging role and being close to centres of power.*

Some people with business experience are sought to run government business enterprises, State-owned corporations, statutory authorities or public sector investment agencies.

“I was approached, rather than seeking out the position, and sold on the idea of the organisation changing to operate very much like a private sector entity, including competitive salary package,” reports one such recruit.

In another State, an appointee considered he was joining a government-owned corporation instead of the public sector generally. This was confirmed by the due diligence process and highlighted to him the significant growth opportunities available for the relevant organisation.

A third person moving into this area cited the ‘change challenge’ and the task involved in handling an area of strong population growth. He intends to remain “as long as it stretches me”, and certainly at least three years to progress a major investment program currently in train.

A State opportunity a few years ago matched the skills and capabilities of one candidate, whose prior experience was in the private and not-for-profit sectors. The role was an international one, and the appointee was attracted to the idea of applying private sector know-how to a commercial arm of government.

### Work/life balance

For some, a move to public service is a matter of lifestyle, family, less overseas travel and, on occasion, more money. One individual found travel two weeks in every month in the private sector disruptive to family life.

One woman moving into a service role says: “There is heightened job security; increased professional development opportunities; working for an organisation with a greater good purpose, that is, public as opposed to a private profit-seeking entity; overall, a more supportive working environment than that often seen in commercial enterprises.”

However, for many respondents this experience was not always the case, with long working hours, travel and stress are part and parcel of the SES environment. Respondents noted that the top people worked just as hard, or harder, than their private sector counterparts.

*Conditions of employment are mostly better than the private sector, but the stresses and work commitments at senior levels are comparable between public and private.*

The change agenda in Canberra since November 2007 has put real pressure on Australia's SES.

"You work just as hard in the public sector as in the private sector and are just as exposed," says one incoming private sector person. "Contrary to common belief, the public sector is not more stable, especially in the central agencies, with the ongoing potential that you can have a falling out with the Minister. The SES is working late at home most nights and weekends to meet deadlines. It is currently a highly ambitious Government agenda and never before has the Australian Public Service seen this type of policy making and timeframes."

**Key takeaways:**

- The challenges of external engagement and skills requirements will result in a push to recruit increasing numbers of SES from outside the APS
- The SES can and does attract excellent talent, and that talent is attracted in the main to a particular challenging role or the opportunity to contribute to society
- Careers are no longer in the form of 'ladders' but 'lattices' – criss-crossing between industries and organisations to gain experiences that depend on challenge and opportunity
- Tailor the recruitment process to appeal to the emotional side of candidates – their desire to make a difference, a challenging role and being close to centres of power
- Conditions of employment are mostly better than the private sector, but the stresses and work commitments at senior levels are comparable between public and private.



# Finding two:

*The SES, particularly at senior levels, has highly talented & capable leaders*

## ‘The capabilities are very high, with an extraordinary level of talent’

It is the perceived quality of the SES in the Federal government and each State and Territory which helps to define public service reputation, and the effectiveness of a particular administration. What then was the perception of our interviewees of their colleagues?

“The capabilities are very high, with an extraordinary level of talent,” says one high-level recruit to a central Federal agency. “They are intelligent, dedicated and hardworking. As a central agency, we get the best of the best. (However), there can be a lack of understanding of how the ‘real’ world works. I would suggest a mandatory two years working in the private sector.”

“Very inspirational” is how one professional recruit found the SES. “I’m very impressed with colleagues in comparison with private executives. A few of them are public service through and through – there is little commercial experience or consideration.”

*Implication: The SES does have very good overall capability – the perceived ‘gaps’ appear to be in the domains of commercial experience and innovation.*

In the same agency, another lateral recruit found the SES equal to private sector people in technical ability. While there was a capability gap in understanding how business operates, that was improving. “They demonstrate high judgement in decision-making,” says a third recruit from the same agency. “They weigh up interests and all the consequences of the outcome. It’s different from focusing on one client. There is conservatism in decision-making, and ethical rules apply.”

One person in a statutory authority noted an ability to separate reality from rhetoric, not necessarily throughout the public service, but certainly at SES level. “On the whole they were talented people, with quality comparable to the private sector. He felt lucky to have worked at the top level, surrounded by talented and clever people. Another individual noted a collegiate approach, high standards and admirable knowledge, background and skills.

A third noted SES attribute is the ability to deal with different people, internally and externally, and to handle staff grievances. “We tend to attract people who are personally committed, though you need to be careful they are not on a personal crusade,” an interviewee remarks. “Passion is good, but it can be misdirected.”

The parallels with Deloitte UK’s research are similar. Most of our interviewees mentioned the intellectual capability of the Senior Civil Service: “I see people who are intellectually highly capable, creative thinkers, who also have a kind of sixth sense of how to make things happen in this environment.”<sup>3</sup>

<sup>3</sup> Deloitte & Touche LLP, *Transfusion: Private to Public*, 2008, p 5.

Against these positive attributes, another outside hire in a central agency felt that 'SES capability was patchy, though it was stirring to watch the iconic leaders at work.'

### Attracting talent

"The Australian Public Service is suffering due to the lack of raw talent, and tenures not allowing for new personnel and fresh ideas," he comments. "The central agencies should be desirable to creative professionals but they are not. The transition for SES recruits who have to move to Canberra should be an Australian Public Service reform item. There is an image problem with Canberra, which creates a significant problem attracting talent from interstate."

*Implication: Could the poor perception of Canberra as a desirable location be a reason that not more talent is drawn to the APS?*

An interviewee in another major department believed that there was not enough leadership; recent strategic reform did not come naturally; and top-level public service management was not focused on its principal role of finding new leaders and providing strategic and cultural leadership.

Turning to the State level, there was a good deal of variability in comment, with notable differences between particular administrations. "In general, people in the public sector are more intelligent, more broadly educated than those in comparable positions in the private sector, despite the private sector being paid two to three times more for similar positions," one transferee feels. "Public servants have a more comprehensive view of the organisation and the organisation's place in society."

In the same State, another lateral recruit saw the SES as good at harnessing the energy of a team with a broad mix of skills and competencies, and a willingness to share and collaborate. Yet another mirrored the majority federal assessment.

"The breadth of policy perspective and knowledge is extraordinary," he says. "Public servants are much maligned. There is political awareness of the *realpolitik* of getting things done, an extraordinary work ethic, and strong academic and policy knowledge, rather than commercial know-how. They have limited commercial capabilities."

One top-level recruit considered the management prowess of the SES extended to leadership, people management, financial skills, regulatory expertise and understanding of government process.

"The SES acted with excellent judgement and personal responsibility, in the interests of people and stakeholders, with strategic and analytical capacity, in an uncertain political environment."

Commenting on necessary attributes, a technical specialist says the critical success factors for a senior executive in government are the ability to network and build relationships, subtly influence change, and be successful in getting access to funds and staff.

The exact verdict in a lot of places seems to depend on the current performance and reputation of the body concerned, which shows a good deal of variance. One opinion is that SES members are extremely capable within the major states, but the smaller states struggle to obtain expertise as they have a smaller recruitment pool. The consensus is that top people were good at project delivery, are generally well trained, and good at balancing conflicting objectives, that is, tailoring community demands to budgets actually available. However, there was a need for a formal executive training program.

*Implication: The more talented appear to be located at either the larger State governments or at the large central agencies in the Commonwealth. The further one moves from the 'centre', the greater the degree of perceived variability in SES capability.*

Another source saw the skills as very limited, with no management skills or development training. There was a tendency to react to immediate or urgent issues, rather than focusing on those with underlying importance. Senior executives' greatest skills were in managing ambiguity, a difficult trait for someone with private enterprise background to acquire.

"There are some excellent and highly motivated SES people, who believe in what they're doing, especially at central agencies" was a different viewpoint. "There are some impressive people working with multiple ministers and stakeholders. But it's a mixed bag, some not so good people promoted into senior roles."

In another State, members of the SES are said to have a high degree of experience which can be adapted to improve operational outputs. A high level of specialised expertise in a particular work sector can help an individual manage a team and adhere to whole-of-government guidelines. Finally, one arrival from the private sector settled matters by replacing most of the executive team under him, reporting that his new team was successfully transforming and growing the organisation concerned.

### Quality leadership

Our interviewees identified the attraction and retention of quality leadership as the most important challenge facing the public service. This issue is well documented and has a number of dimensions including:

- The ageing demographic of the SES, where 'nearly three in four SES employees (are) eligible for retirement in the next ten years.'<sup>4</sup>
- The 'war for talent' is also being fought by the private sector. Slackening private sector demand stemming from the global financial crisis provided some relief and opportunity, but a return to a demand-dominated labour market is fast approaching

- The improvement of quality advice to government in both policy and delivery. The government reform initiatives are accelerating with demand from both citizens and ministers to solve increasingly difficult problems – problems that require collaboration within a constrained fiscal environment. '(Public servants) must respond swiftly – sometimes instantly – to government demands for action. They must think in terms of outcomes, not processes. They must get out of their silos, abandon turf wars and work collaboratively across departments, with State and Territory governments and with the private sector.'<sup>4</sup>

#### Key takeaways:

- The SES does have very good overall capability – the perceived 'gaps' appear to be in the domains of commercial experience and innovation
- Could the poor perception of Canberra as a desirable location be a reason that not more talent is drawn to the APS?
- The more talented appear to be located at either the larger State governments or at the large central agencies in the Commonwealth. The further one moves from the 'centre', the greater the degree of perceived variability in SES capability.

<sup>4</sup> Secretary of the Department of Prime and Cabinet, Terry Moran, in an address to the IPAA, 15 July 2009.

# Finding three:

*Current induction processes tend to focus on the administrative functions, not the critical information required to perform effectively*

## ‘The Australian Public Service is not good at bringing people in as they don’t do it enough’

The historic divide between public and private sector employment arrangements have all but disappeared. Long gone are the days of public sector tenure, access to defined benefit superannuation and yearly salary increments.

Today’s senior public servants are subject to fixed-term contracts, performance-based pay and bonuses, and are expected to have highly developed commercial skills.

Nonetheless, those making the transition from the corporate to the public sector still experience a sense of cultural difference. Common to nearly all of the interviews with external recruits to the public sector was the sense that they had landed in a new cultural setting, requiring sometimes drastic mental adjustments and a steep learning curve.

The efforts to cushion the new entrant from these culture shocks were, according to interviewees, patchy and varying in quality. Some felt they were effectively ‘left to sink or swim.’

*Implication: Not providing a proper induction program and orientation will result in loss of effectiveness and productivity. The public sector needs to set external recruits up for success, not failure.*

### Induction process

The general consensus was that the logistics of introduction were good, but the personal orientation was not. One high-level appointee noted that on day one his security pass was valid, laptop ready and Blackberry working. But a minus was the absence of a structured induction program. Another inductee, with experience at all three levels of government, says: “The Australian Public Service is not good at bringing people in as they don’t do it enough.”

There was no structured platform to learn how the department functioned, and he was out of his depth in the governance model – a crucial aspect for a central policy agency.

A third private sector recruit was shown to his desk and then left to his own devices. Finding out who was ‘who in the zoo’ was a daunting task.

There is one agency, with a formidably complex mandate, where there was a formal four-day induction, with insight into the different functions and structures of the organisation. Even here, one candidate found the induction ‘remote’ with ‘too much information and not enough context.’ This was overlaid with the usual wariness about the unknown and the strain of adjustment to a new culture.

In contrast, and demonstrating the patchy nature of inductions, a woman joining the same agency conceded that the adjustment problem was fairly trivial. It consisted of getting familiar with the complexity of the organisation, working out who was who and understanding departmental processes, such as the rules for approval of international travel.

*Implication: A failed transition may result from an individual not having a complete picture of what they are supposed to do. Indeed, as any new leader is ‘under the microscope’ when they join, even small ‘transgressions’ may result in a poor outcome for both the individual and the agency.*

One State recruit was positive about joining a new organisation, working with new people in a small team who were personable and welcoming and in an office-ready environment with the necessary technology setup. But an organisation-wide induction wasn't held until three months later. "I was scheduled straight into meetings," is the reflection, "with an expectation to attend without being able to understand and assess the value of the meetings."

Another person encountered an auditor's report in his first few days, when he was experiencing culture shock and had a low understanding of processes. These were only set out in an email, whereas he felt he needed a couple of days induction. "You need an understanding of how government works," says another recruit. "Having a mentor or buddy system when you join at senior level would be great. I experienced good human resources support both formally and informally, but having a senior resource to call on for advice would have helped." Another had less support. "There is an assumption that people moving into the public sector know all the processes and procedures – it can be bewildering," was the assessment. "There is no support provided to transitioning staff."

*Recommendation: A formal buddy or mentor system should improve the process of transition and provide the external recruit with the necessary agency information (tricks and traps) to perform effectively. This finding and recommendation is consistent with our research in the UK.*

In a similar vein in another jurisdiction, one woman thought: "Negotiating the maze of government systems and processes can be quite daunting, confusing and frustrating. Not enough information is provided in a structured pack to new recruits. Some existing staff members can be quite negative about the work environment."

In service delivery areas, one strategy is to import a private sector approach. "I didn't know anything about public sector processes, so I tended to blast through them," said one recruit. "I approached it with a high level of ownership, because that is how we operated in the private sector."

Not surprisingly, things were easier in the few cases where there was more of a welcoming effort. On-boarding was fine for one high-level person who encountered strong peer group talent: "There was a reasonable expectation of the learning and lead time to ramp up to the targets of the role."

Another with many years' experience as a partner in a private firm was used to dealing with people at senior levels and getting things done by connecting with others and maintaining personal networks. "I had support from the top to do my job," he reports. "I also had an experienced public service mentor early on who provided lessons in how things work, and understanding the formal and informal communications. Formal results often don't talk about the process."

A handful of the transferees actually relished the adjustment. "I have enjoyed figuring out the system, and how to get things done," says one woman. "I've enjoyed building a team, the autonomy and the scope of the role. I have learned that if you get yourself organised you can pretty much drive things and make them happen. Because it has been such a blank piece of paper, there have been times when some sort of additional direction would have been beneficial."

In another State, one woman found her personal skills in handling people and working out the informal as well as the formal relationships in her new locale stood her in good stead. The relative ease of settling in was facilitated by help from one or two administrative employees who had been around for some time and knew how to negotiate the systems. But such individuals are the exception.

A general problem with the public sector is long delays in making appointments. Outside employment agencies repeatedly criticise the interminable lags while waiting for an appointment decision, particularly when they are trying to clinch an outstanding candidate.

A corollary is that an in-house candidate may have been acting in a given leadership role before the outside appointment finally arrives, for as long as 18 months or so. "There may have been someone acting in the role previously who was unsuccessful in their efforts for the position," says one financial executive ruefully. "However, the new person coming into the role is unaware of this background." Not knowing the back story behind a role is an additional worry for incoming recruits, on top of trying to work out the bureaucratic structure.

Underlying the issues of being the new person on the block is the key cultural shift from the private sector, where the bottom line profit and loss result is a quantitative measure of performance, to the public service environment where performance measures can be more diffuse.

"From some small personal observations, people in general make the transition from private to public less successfully than the other way around," was the conclusion from one top-level recruit. "Private organisations are managing for cash, revenue, profits; the cost to income ratio can be a measure of success. The public sector can be a little like a juggler spinning 18 plates, trying to keep them in the air. You have to manage multiple stakeholders, interest groups, ministers, departments and colleagues. There is not a single outcome and the measures of success are not always easy to identify."

The Australian Public Service Commission (APSC) does run a course for new SES members called 'SES Orientation' that "provides new senior executives with the essential information they need to operate effectively in the Australian Public Service environment and an opportunity to build valuable networks with their peers."<sup>5</sup>

The SOSR notes that "this year the Commission delivered 15 iterations of the SES Orientation program, with 235 senior executives attending, which represented 69% of newly appointed SES."

*Recommendation: Develop specific induction and orientation material (training and reference) with appropriate mentoring and timely delivery for external recruits to the SES. Bringing in recent external recruits as advisors to the process would also assist in making the material tailored and effective.*

#### Key takeaways:

- Not providing a proper induction program and orientation will result in loss of effectiveness and productivity. The public sector needs to set external recruits up for success, not failure
- A failed transition may result from an individual not having a complete picture of what they are supposed to do. Indeed, as any new leader is 'under the microscope' when they join, even small 'transgressions' may result in a poor outcome for both the individual and the agency
- A formal buddy or mentor system should improve the process of transition and provide the external recruit with the necessary agency information (tricks and traps) to perform effectively. This finding and recommendation is consistent with our research in the UK
- Develop specific induction and orientation material (training and reference) with appropriate mentoring and timely delivery for external recruits to the SES. Bringing in recent external recruits as advisors to the process would also assist in making the material tailored and effective.

<sup>5</sup> SOSR 2008–09, p 119.

# Finding four:

## *The bureaucracy can be improved*

### ‘Some of the barriers to reform are embedded in the prevailing public service architecture’

The public service is often subject to criticism for its excessive bureaucracy and administrative processes. Indeed, our interviewees highlighted this as an area of frustration. However, many balanced their comments by making the point that all public and private organisations have a level of process inefficiency.

One external recruit thinks a smaller SES with more responsibility and less workload would raise the bar on performance, increasing agility, responsiveness and creativity. However, he noted that Ministers would need to recognise that extensive compliance rules and avoidance of risk tended to impede creative and innovative policy making.

Echoing this, a colleague would like high-level public servants to be given more space to move and personal decision-making autonomy. They should, he believes, have the ability to make decisions without constantly going through formal procedures, and be allowed to rise to challenges as a professional rather than falling back on standardised processes.

One recruit said “There is not a clear enough differentiation between the role of the public sector and the Ministerial Office. The lack of resources in the Ministerial Office means that the department effectively becomes a Ministerial resource.”

This is a point of interest and needs to be explored, as the current Australian Public Service Values and Code of Conduct in Practice (2009) points out: “Public servants are accountable to Ministers for the exercise of delegated authority and through them to the Parliament.”

There exists a fine line which is not easy for the SES to negotiate. “Of concern is the difficulty in managing the need to be at once apolitical, impartial, professional, accountable, and engaged actively with government. During 2007–08, 20% of Australian Public Service employees in contact with Ministers or their offices reported finding this balance difficult.”<sup>6</sup> Clarity of roles and accountabilities needs to be at the heart of any value-driven cultural reform.

Organisation structure and associated governance, delegations and compliance was the subject of many responses to areas for improvement from our interviewees. “The power of the departmental secretaries is almost absolute; there is no joined culture across government. The culture of the organisation is entirely dependent on the personality of the secretary. There is no pooling of resources or ideas. Let’s look at the disablers, the barriers to success, and don’t replicate them,” says one respondent.

According to one interviewee, these barriers include “excessive hierarchy and leadership groups that don’t work as such.” His longer-term solution would be much broader training programs: “... really training young people in appropriate management of risk with a more dynamic reward system, bringing people in and out to build experience and networks. At the top level, you need people with a vision for the whole of the public service, and practical capacity to deliver.”

<sup>6</sup> SOSR 2007–08, p 191.

One State government recruit would break down the hierarchies and start with a completely different culture. “There are thousands of people classified by alpha numerics and nothing much else,” he says. “People don’t get to grow and gain experience. Your pay level determines decision-making authority.”

This is again consistent with Deloitte UK’s research, where the interviewees were more scathing in their assessment of the bureaucracy: “The organisation is obsessed with process for process sake rather than outcomes” and “delivery is secondary to a defensible process” were typical comments. Emails were often copied widely and diaries were filled with internal meetings which resulted in the comment, “I could actually do nothing – and many people do.”<sup>7</sup>

*Implication: If you have scarce resources, tying them up in compliance and low value-add activities is both unproductive and a source of frustration.*

The unexpected demands and expectations are stretching the supply of SES people. On the one hand, non-traditional avenues, including overseas and universities, may be needed to replenish the talent pool; on the other hand, reducing non-value added work is another way to correct the balance. This would be in line with current high-level thinking: “Some of the barriers to reform are embedded in the prevailing public service architecture – the financial, accountability, performance and employment frameworks across the Australian Public Service. It will therefore be necessary to re-examine that architecture to ensure it supports, rather than hinders, the ability of the Australian Public Service to overcome future challenges.”<sup>8</sup>

Dealing across departments was also highlighted in the UK comparison: “We repeat ourselves across government with different ways of doing the same thing.”<sup>9</sup>

One perceived cultural difference between the private sector and public service is a different approach to risk, which in the public service includes greater exposure to political pressures and higher levels of media scrutiny.

This topic merits serious discussion – without an acceptance and understanding of risk, innovation and creativity is very difficult. Many of the new entrants from the private sector say they feel hamstrung by a culture that avoids personal risk at any cost.

*Implication: A prescriptive, rules-based environment cannot produce creative and innovative outcomes just because they’ve been told to do so.*

In the private sector, risk and reward are accepted as necessary for the generation of profit and growth. Deloitte UK’s research touched on the same issue, summed up by this quote from one of the interviewees: “Risks are defined as things people don’t understand rather than an essential and acceptable business process.”<sup>9</sup>

Private business executives are not exactly rewarded for demonstrable and avoidable failure. But they are not generally penalised for involvement in a potentially risky project, which could have yielded high returns but for various reasons failed to materialise. They are penalised for playing it safe, lack of initiative and not having much to show for their salaries and bonus structures.

For public servants, however, the risks of being associated with any venture which runs into political problems or is seen as a poor use of taxpayers’ money can be severe in terms of career progression. How this traditional aversion to risk will fare during the transformations being demanded of today’s public servants will be one of the crucial issues in public service administration into the future.

<sup>7</sup> Deloitte & Touche LLP, *Transfusion: Private to Public*, 2008, p 6.

<sup>8</sup> *The Reform of Australian Government Administration* paper, September 2009, p 17.

<sup>9</sup> Deloitte & Touche LLP, *Transfusion: Private to Public*, 2008, p 6.

Said one private sector transferee: “In the private sector, if you achieve 80% of your target, you are often rewarded with 100% of your bonus. In the public service, if you achieve 90%, the focus will be on the 10% that you didn’t achieve. In the public sector, you don’t often fail in a big way, but can fail in reputation both internally and externally. Failure can be not as spectacular as the private sector, but you can suffer by falling to the B team and be cut out of things.”

*Recommendation: The acceptance of risk is necessary to develop innovation and creativity. This requires a complete overhaul of public service procedural and performance frameworks.*

The APSC acknowledges that a new approach and attitude to risk is needed. “The Australian Public Service needs to nurture a culture where new, innovative and creative policies are explored and experimented with. To make this happen, the Australian Public Service needs to have greater tolerance for failure when it occurs as a result of carefully considered risk taking. Rather than punishing failure, the Australian Public Service must ensure it learns from mistakes and uses those lessons to enhance and shape better policies for the future.”<sup>10</sup>

“Current attitudes towards risk in many parts of the Australian Public Service have been linked to the current accountability and performance management arrangements in place. These arrangements may need to be re-examined in terms of the scope they provide for public servants and agencies to take acceptable risks as they push the boundaries of policy in pursuit of innovation.”<sup>11</sup>

#### Key takeaways:

- If you have scarce resources, tying them up in compliance and low value-add activities is both unproductive and a source of frustration
- A prescriptive, rules-based environment cannot produce creative and innovative outcomes just because they’ve been told to do so
- The acceptance of risk is necessary to develop innovation and creativity. This requires a complete overhaul of public service procedural and performance frameworks.

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The Australian Public Service needs to nurture a culture where new, innovative and creative policies are explored and experimented with

<sup>10</sup> *Reform of Australian Government Administration* discussion paper, September 2009, p 32.

<sup>11</sup> APSC, *Delivering Performance and Accountability, Contemporary Government Challenges*, 2009, p 44.

# Finding five:

## *Performance management is not the effective management tool it is in the private sector*

### **‘We need to meet the performance management challenge’**

The lateral hires interviewed for this Deloitte study did provide immediate suggestions for reform. The most common theme was performance management – and the striking differences between the private and public sectors.

Private sector measures are mostly quantitative, relatively clear cut and strongly related to profit performance. Public service performance indicators are largely qualitative, often relating to social, educational and community goals whose measurement can be heavily subjective. The private sector differentiates its strong performers much more sharply, with incentives and bonuses defined on growth and profit. It is much harder to single out star performers in the public sector or more accurately, to induce those doing the assessments to carry out this task effectively.

“We need to meet the performance management challenge,” says one federal recruit. “The APS needs a light, simple, rigorous performance system. We need increased personal development within the SES. There needs to be a better sense of career management outlining the opportunities in a central agency versus a line agency.”

Another recruit would like “better understanding and an interpreted basis for performance evaluation, more performance consistency and management of flexible working hours.” She notes that hard workers get more work, with a resulting uneven distribution of workload which should be addressed as part of performance evaluation.

*Recommendation: Solving the performance management challenge is not easy, but it needs to be done. Managing performance and holding people accountable is one of the most important levers for transformation in any environment.*

Any set of performance frameworks and measures would have to acknowledge the complexity and difficulties of the public sector. They would need to embody a series of qualitative evaluations, such as quality of policy work, ability to coordinate with other departments, community outcomes, capacity to organise and inspire staff, depth of useful general knowledge and facility for unearthing and deploying useful information resources.

#### **The role of salaries**

Performance pay at senior levels needs greater recognition, says a colleague in one agency which compensates at the top of the public service pay scales, while still not matching private sector salaries. Another interviewee recommends more flexibility in staff remuneration, penalising non-performers. “At present, it is difficult to reward high performers,” she says. “There are restrictions on paying people, and it’s difficult to reward staff. There are a lot of individuals with enormous responsibility that are paid disappointingly in comparison with the private sector.”

Public service pay scales are mainly set in terms of generalised scales, with a code for bands and levels. One recruit finds this inadequate to measure performance and where people are qualified to go. “There needs to be a distinction between policy work and other areas, such as ICT and accounting,” he says. “It just doesn’t work to move from one area to another based simply on levels. Moving around the Australian Public Service or around different branches is seen as a good thing, when actually it disrupts productivity. Just because you are at a certain level doesn’t mean that your role is transferrable.”

*Recommendation: Pay bands and performance pay should be restructured to attract and retain the best, and to depart from the discredited ‘poor pay for indifferent performance’ model.*

The pay issue is slightly different in the UK, where the Civil Service can and do receive bonuses limited to 2% of package. It appears that this practice has been criticised from both sides for not being meaningful enough, on the one hand, and for issues of unclear causality and measurement on the other. Leaving bonuses aside, the differentiation on performance (including pay) is an issue for both services.

“Pay bands and performance pay should be restructured to attract and retain the best and to depart from the discredited ‘poor pay for indifferent performance’ model”. We concur with this recommendation from Deloitte UK’s research.

### Underperformance

One of the current issues for the public service is how to deal with underperformers, particularly when located in strategic positions. Many of the lateral recruits, used to the sometimes more robust approach of private enterprise, mentioned this as an area needing consideration.

“Errors, inappropriate leadership, poor judgement and lack of cooperative behaviour are rare, but where it exists, it adversely impacts on outcomes, and sometimes people are not brought to account for that,” says an interviewee. “The public service needs to be more like the private sector for reward and remuneration, though that may be hard to achieve.”

“Performance management structures currently meet the needs of performing staff, but do not cater for underperformers,” says a survey respondent. We were told the story of one agency of several thousand staff members, where when ranked on a one to five performance scale, only two were placed on one of the bottom rungs (both from the same branch, that is, with the same superior).

*Implication: Performance management structures do not reward high performance and don’t work for managing underperformance. Clearly, performance management as a tool is not applied effectively.*

“I would relax the human resources restrictions on managing low performing staff so that there were more consequences and accountability for non-performance,” says one woman. “It is very difficult for managers to deal with low or non-performing staff without great cost and huge additional workload for themselves, and little internal support for their endeavours.”

Most executives seem to avoid the issue as much as possible. As a result, poor staff are retained, and productivity and sometimes morale suffers. “If you can’t get the big stick out and encourage people, you can’t get the action you require,” says one recruit with 15 years of private sector experience. “Bad performance is potentially contagious if you can’t get rid of non-performers it drags the team down.”

*Recommendation: Managers should be provided with as much support as possible in managing underperformance. The processes exist but implementation is the key.*

These findings are echoed in Deloitte UK’s research: ‘Managing poor performers is at the heart of the performance issue and every interview mentioned it. Almost all the interviewees believed that their department did not differentiate between good versus poor performers by developing the former and encouraging the exit of the latter.’<sup>12</sup>

Another practice highlighted in the UK research which wasn’t specifically referred to by the Australian interviewees (but probably does occur) is the practice of ‘shunting’. This involves moving a poor performer onto another job in another department, which appears to be a more common method of dealing with poor performance than moving individuals out of the service altogether.<sup>13</sup>

<sup>12</sup> Deloitte & Touche LLP, *Transfusion: Private to Public*, 2008, p 8.

<sup>13</sup> Deloitte & Touche LLP, *Transfusion: Private to Public*, 2008, p 9.

### Learning and development

The final theme from external recruits regarding performance is the link between performance, career development and training. One State executive would like a return to centralised training for SES personnel (already available at federal level), with competency-related career structures.

One experienced recruit would like a hothouse training environment for incoming personnel with the support of peers and a mentor; a process from day one to grow and develop role competency, similar to the way professional firms nurture their future leaders; and methods of developing relationships with Ministers. Budget cuts have impacted on training and international conference travel, which can be desirable for some public sector professionals to enhance their technical skills, argues another lateral recruit. Improved training, development of leadership skills and more explicit accountability are items repeated in interview after interview.

*Recommendation: Highly talented people should be recognised for their performance and be given development opportunities so they are retained.*

#### Key takeaways:

- Solving the performance management challenge is not easy, but it needs to be done. Managing performance and holding people accountable is one of the most important levers for transformation in any environment
- Pay bands and performance pay should be restructured to attract and retain the best, and to depart from the discredited 'poor pay for indifferent performance' model
- Performance management structures do not reward high performance and don't work for managing underperformance. Clearly, performance management as a tool is not applied effectively
- Managers should be provided with as much support as possible in managing underperformance. The processes exist but implementation is the key
- Highly talented people should be recognised for their performance and be given development opportunities so they are retained.



# Conclusion

Despite some of the challenges highlighted in this report, the Commonwealth and State Public Services, and the SES in particular, are regarded as a highly capable group. Our interviews with external recruits to the SES found their colleagues to be, of the highest calibre with demanding roles and fulfilling a critical function in the delivery of policy and service in a complex and changing environment. The interviewees were effusive, with admiration and praise of the top rung of the SES, and it was clear that many were pleasantly surprised at the leadership acumen within the public service.

The character of the leaders contributes significantly to the overall performance of the Australian Public Service, which is found to be one of the best globally. 'Internationally, our public service ranks very highly, particularly in terms of providing independent advice to government.'<sup>14</sup>

As the Prime Minister and the Secretary of the Department of the Prime Minister and Cabinet have pointed out, to be "the best public service in the world" will require reform and improvement of the current strong foundation.

Our research has pointed to a number of those areas, particularly:

- Investing in innovation and its link to a different model for risk taking
- Manage performance more effectively
- Implement more effective processes to attract, develop and retain talented external recruits to fill specific skills gaps and capabilities
- Reduce inefficiencies and unnecessary bureaucracy.

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Australia ranked eighth, out of 57 countries overall, for government efficiency, immediately behind New Zealand on seventh. This leaves an obvious invitation to the current crop of public service reformers<sup>15</sup>

<sup>14</sup> Accenture, *An International Comparison of the United Kingdom's Public Administration*, October 2008, p 40.

<sup>15</sup> Institute for Management Development's *World Competitiveness Yearbook 2009*.

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