

# Submission to the APS Review

## Background

My first job in the APS was in 1975 and I will be leaving the APS in August 2018, having spent most of the intervening 43 years in the public sector, primarily in four agencies (bio at Attachment A).

I have been privileged to have a wide range of experience in my APS career, including examples of very good practice in public administration as well as the less good. I have worked with a range of public sector officials from other countries and am gratified to say that the APS compares favourably in most instances – with a track record as an active mid-sized country that is constructive and solutions-oriented in international engagements.

I would like to make a brief submission to the Review Panel to highlight some key areas for focus in looking at ways to ensure the APS can adapt to successfully meet the challenges of the future. The bulk of this submission deals with the issue of innovation in the public sector and other, related issues are touched on very briefly. While I make this submission in my capacity as an individual, my current role is Director General at IP Australia (the Australian Patent and Trade Mark office).

I would be happy to elaborate on any of the issues raised in this submission and provide examples if needed.

## Innovation in the APS

Government activities and investments currently account for around 35% of GDP in Australia. Moreover government activity covers critical aspects of economic and community life – the health and education systems as well as the provision of the economic, regulatory and physical infrastructure that underpins economic growth and community well-being. We recognise and promote the importance of innovation as fundamental to private sector growth and competitiveness and the same is true of the public sector. Clearly the application of new ideas and approaches, new technologies and systems of management - ie innovation – is essential to effectively meet the challenges faced by the public sector and to promote Australia's competitiveness and prosperity.

Over recent years the importance of public sector innovation has been widely acknowledged both here and abroad. In Australia we have had numerous reports to government and APS innovation action plans and activities supported by our APS leaders, including the Secretaries Board. These have generally emphasised the importance and the benefits of innovation to the public sector and sought to identify and encourage the means to achieve it.

Most studies agree that innovation in the public sector in Australia does take place relatively broadly, despite some significant barriers. However, arguably the innovative capacity of the public sector could be enhanced if it took a more systematic and strategic approach to embedding innovation in its day to day work. Despite some notable successes, innovation in the APS is still often undertaken on a somewhat ad-hoc basis. This may not be good enough in a context where innovation is recognised as a powerful influence on productivity and organisational performance – and in the context of the public sector, where it can also impact on national performance.

The traditional bureaucratic model often stifled innovative approaches through: inherent conservatism; rigid and opaque processes and structures that bred a culture of conformity (and punished non-conformity); a closed, internal focus which assumed all answers must come from within; strong risk aversion; and tight control of employees and their work content and structure.

More recent changes to the mode of operation of the public sector have seen greater openness, an acceptance that ideas and services are not always sourced from within and that collaboration and co-creation, which can bring a diversity of experience and ideas to bear, can deliver better outcomes. In some areas we have seen a greater level of autonomy and control for staff over their work and recognition that flatter structures and devolved decision-making can drive improved performance. Encouragement and reward for creativity and risk taking is growing.

Resource pressures on the APS can have a variety of impacts. Resources cuts can stimulate innovation by requiring us to rethink how we can achieve the outcome with fewer inputs. Conversely in some cases innovation will require an investment of resources and can be strangled if none are made available. Most sizable private sector entities budget for research and development and have forward R&D plans. This kind of overt R&D (innovation) budgeting and planning has been rare in the public sector and is only now taking root in some agencies.

Support for innovation (more generally and in the public sector) has varied in strength in Australia over recent years. There is certainly a perception, both in the APS and the public more broadly, that innovation can be highly disruptive and lead to job losses in some sectors. Our own staff, as well as the public, are often suspicious of, and resistant to, innovative change and strong leadership and good communication are required to effectively implement it.

However there are some good reasons to expect governments of all political persuasions to generally support public sector innovation as we move forward, because they recognise it is necessary to deliver on government goals and to create public services fit for the future.

The APS now faces increasingly complex policy issues, played out in the context of a global rather than a local environment. Citizen expectations of public service quality have risen while at the same time there are growing pressures on public budgets for increased efficiency, productivity and cost reductions. There is also increasing contestability in the provision of public services and even for policy advice.

We clearly need new thinking, new approaches and the implementation of new models if we are to keep pace with both community and government expectations. Maintaining limits on the size and the cost of the APS, while meeting expectations, will require new structural and organisational models and a more open approach to working with and through third parties.

Arguably these demands require a different approach and skill set from the past, one with more focus on skills such as relationship building, capacity building, collaboration, strategic forward planning, initiative, considered risk-taking and dispute resolution as well as technical skills related to data, analysis and technology management.

Not only has there been change in the nature of our work in the APS over recent decades, but also change in the nature of our workforce. We are now a more professionalised workforce employing many more graduates, with much of the frontline customer service work now outsourced or privatised. Such a workforce – better educated, taught to analyse and to question and with a greater focus on seeking engagement and satisfaction from their work – also demands different leadership and management approaches.

We now require more inclusive and collaborative approaches, that can engage our highly skilled employees and that demand initiative and performance rather than conformity from staff.

Clearly there are some inherent characteristics of the public sector that will always present barriers to innovation. Our roles require a high degree of public accountability and thus working within a sometimes restrictive, rules-based framework is inevitable. Our stewardship of critical public sector services and activities rightly attracts close scrutiny by the Parliament, the media and the public and we operate to serve ministers in a political environment. Tolerance for risk and failure is limited. Undertaking innovation in the APS has been described as ‘long on risk and short on reward’, and it is one of the challenges of APS leadership to balance these factors and to make sure that there is room for, and indeed a systematic approach to, innovative forward thinking and approaches.

It is also the case that other public sector characteristics may increasingly mitigate in favour of innovation. It is argued, for example, that creativity is more likely to occur in jobs where there are ‘complicated, ill defined problems requiring innovative solutions’. Such work requires expertise and often collaboration. It requires a highly skilled and motivated workforce able to explore alternative ideas under ambiguous conditions. Arguably both the

type of work the public sector is increasingly required to perform and the type of people that increasingly make up our workforce predispose us to greater levels of innovation.

### What can we do to promote APS innovation

APS leaders do not have to be the organisation's chief innovators. Rather, our role is to create the framework conditions for innovation to flourish within the organisation. Sometimes this can mean recognising you can't lead the necessary change and empowering others who have the capacity to do so.

It is likely to mean taking some risks, expecting some failures, but being prepared to persevere and follow through, [ie not lose enthusiasm when problems or failures arise.] and also to be prepared to defend the value of innovative activities, even where they fail. There is usually resistance to doing things differently and it will often require considerable persuasion, persistence and determination by the leadership to affect change.

I would nominate five key behaviours we need to broadly adopt across the APS to enable innovation.

**Open leadership behaviours:** Adopt outward-looking strategies based on an acceptance that ideas and services will not always be sourced from within. Cast a wide net for ideas and talent and utilise them effectively. Adopt a collaborative, open and inclusive style, encompassing a mix of internal and external input.

**A supportive environment and culture:** Do APS staff see their leaders as having a reasonable risk appetite, as rewarding innovation and tolerating some inevitable failures? Leadership behaviour sets the culture more than any other single factor and can provide employees with the permission and the means to develop and try out new ideas.

Establishing a bottom-up capacity to generate and capture ideas as well as a top-down approach and encouraging diversity and openness to new ideas can help build an innovative culture. Flatter structures and organisational approaches that devolve decision-making and push responsibility down the chain will also support an innovative culture.

**Build innovative capacity –** Does the APS workforce have the skills, technology and resources required to develop and apply innovative approaches and to work with other parties on these issues? There are some great examples now of effective public sector innovation, and experience is growing, however the APS would benefit from taking steps to develop the relevant skills among APS staff and signal it values these skills.

**Develop a systematic approach to innovation –** as noted earlier, too often public sector innovation happens on an ad-hoc basis. A more systematic approach would require giving a clear mandate for innovation within APS organisations; including it within planning frameworks; having a system for capturing and implementing ideas from within APS organisations; and also having a strategic approach to partnerships and collaboration to

capture external ideas. Building a systematic approach to developing, applying and evaluating innovative approaches and ideas is key.

**Measure and reward it** – To promote innovation staff need to understand that it is valued within the organisation. Inclusion of innovation in strategic and operational plans and in performance agreements ensures there is a clear focus on it as an organisational goal and also requires measurement or assessment of whether it is being achieved.

It is important to reward and celebrate innovation successes. This reinforces the message and helps establish a culture supportive of innovation.

## Conclusion

While rates of progress may vary I think ultimately what governments and the public want from the APS requires us to adopt operating models that foster innovative ideas and approaches. As public sector leaders we need to adapt our approaches to address that reality.

## **Other Key Points**

### Policy development and advice

While a focus on serving the government of the day and meeting ministerial demands is, of course, essential, this focus on responsiveness should not be to the detriment of proactive policy thinking and planning. There is a dearth of long-term thinking and planning in many APS departments which is not serving ministers/governments or the public well. Time and resources need to be made available for pro-active (not just responsive) policy development and long term thinking and planning. This should be articulated as a clear responsibility of the APS. Particularly in times of political turbulence and frequent changes of government and/or ministers the APS is the only body in a position to effectively undertake this.

### Evidence/Data

We live in the age of big data. In many areas the data and evidence on which to base policy development has never been so good and continues to improve as the number and quality of linked data sets and our ability to analyse them increase. This will also allow much more effective evaluation of government programs and services.

Improving the quality and availability of government data, building the capacity of APS staff to effectively utilise it and, wherever possible, making it publicly available, is a great investment in good government.

### Agility

In an environment of fast-paced change (particularly technology-driven) there is a recognition that the APS needs to become more agile in the way it works. There is

however an inherent bias against agility in the way the APS operates. New ideas or approaches, particularly those that may be disruptive, are often smothered in excessive process which, at best, slows them down and, at worst, prevents them being explored or adopted. This also erodes the energy and enthusiasm of staff seeking to champion innovative approaches.

### Communications

Introduction of new policies or approaches (particularly if they may be disruptive) is often not accompanied by a comprehensive and effective change management strategy. Selling the idea or change to the public has to be part of the package if that change is to be successful. [The same applies to getting APS staff themselves to embrace change.]

The value of effective communication and change management seems to be underestimated in the APS and the resources devoted to it are often inadequate. However taking the public with you when you are seeking to make changes or do things differently is key to developing public trust. This area of effective communications/change management should be a focus for improving APS performance.

### Management of Technology (ICT)

It is said that every company today is a technology company and I think this is also true of government agencies. The extent to which we can do our job well and serve the public relies fundamentally on our access to appropriate technology and our ability to utilise it in the most effective way. Technology development is also moving fast, requiring us to constantly assess technology trends, developments, opportunities and risks as we look at making (often large) investments with public money.

However APS leaders are frequently not well equipped to make good decisions or effectively manage big technology programs (often also true in the private sector). Building the capacity of APS decision-makers and leaders to run large, technology-based enterprises should be an area of focus for capability development.

### Consultation, Collaboration and Openness

Consultation, Collaboration and Openness in the way we operate has to be our default position. While we have come some way along this path, there is still work to do. We need less defensiveness and more true openness to outside views and input in the APS. We also need to get better at real consultation and working constructively with third parties

### Workforce/People/Skills

There has been a huge ‘professionalisation’ of the APS in the time I have worked in it. The quality of recruits – and in fact the overall quality of APS staff - has probably never been

higher. Anyone who deals with graduate recruitment cannot fail to be impressed with the quality and enthusiasm of young people joining the APS. How we develop and keep these great staff is worthy of close consideration by the APS Review.

A generous APS superannuation scheme was once a key element in attracting and retaining staff, but no longer. My experience suggests two key elements in attracting and retaining staff: The nature of the work, interest in the opportunities it can present and a conviction that the work is important and makes a difference, and; Attractive working conditions, including access to flexible working arrangements and development opportunities. Staff satisfaction and performance is also promoted by a level of autonomy and control over their work which can be enhanced through flatter structures and more devolved decision-making.

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## **ATTACHMENT A**

PATRICIA KELLY PSM  
DIRECTOR GENERAL  
IPAUSTRALIA

Prior to joining IP Australia in 2013, Patricia Kelly was a Deputy Secretary in Commonwealth departments responsible for industry and innovation from 2004-2013. Patricia has had a public sector career spanning over thirty years. Her experience in other portfolios includes the Department of Social Security and the Department of the Prime Minister and Cabinet.

Patricia has served on a range of boards and committees, including the Advisory Council on Intellectual Property (2004-2009) and the Co-operative Research Centres Committee (2004-2013). She chaired her department's Audit Committee from 2006-2013. She was a member of the Council of the University of Technology Sydney (2006-2008), a member of the Review Panel of the National Innovation System (2008) and chaired the Management Advisory Committee Steering Committee to report on innovation in the Australian Public Service (2008-2009).

From 2007 Patricia worked closely with the research and higher education sector. She led Australia's bid to host the Square Kilometre Array (SKA) radio telescope and represented Australia on the Board of the International SKA Organisation between 2012 and 2017. She was awarded the Australian Public Service Medal in 2013 in acknowledgement of her efforts to secure Australia's bid to host the SKA and to promote public sector innovation.

Patricia represents Australia at the General Assemblies of the World Intellectual Property Organization and serves as chair of Group B+ (the group of around 40 developed nations). She is a member of the Executive Board of the Department of Industry Innovation and Science (DIIS).

Patricia has a Bachelor of Arts degree, with a major in communication and is a graduate of the Australian Institute of Company Directors.