



KIAH
CONSULTING

“OUR COUNTRY
NEEDS PUBLIC SERVICES, WE
JUST CAN'T AFFORD
TODAY'S PUBLIC SERVICE”

A KIAH CONSULTING SUBMISSION TO THE PUBLIC-SECTOR REVIEW



Thank you for the opportunity to provide a submission on the future of the Public Sector.

Kiah assists organisations to execute innovative concepts, specialising in initiatives across the public–private sector boundary. Most often visible working on ‘concept to contract’, we are just as often utilised in bringing business-like practices to the public-sector.

Kiah has been doing this work for over 15 years. Now a multi-million-dollar consultancy headquartered in Canberra, we operate across Australia and in New Zealand. Our principals have experience in both the public and private sectors, bringing multiple perspectives to the challenges and opportunities facing the Public Sector.

The approach most advised to commercial entities when providing responses to reviews such as this one, is to take a safe and non-confrontational position. That would serve our interests, exhibit our name, but be of limited value to anyone else. I do not believe in recklessness, but always ‘playing it safe’ doesn’t support innovation and lacks courage. We are in the businesses of leadership, and leadership takes courage.

I eschewed that advice and directed that our contribution was to be thoughtful, considered and challenging. I hope this submission provides value and I will be delighted to discuss any aspects personally.

John Glenn

MD AND OWNER, KIAH CONSULTING



INTRODUCTION



The Department of Social Services public report *Place-based approaches to disadvantage* identifies a town in Western Australia of 1400 people (Roebourne) receiving around \$59 million of government funding a year, providing 206 services through 63 different service providers. While every service delivery program reported that they, individually, largely met their program objectives, over 15 years there has been no discernible social effect.

We cannot afford this, and the public sector knows it.

The same report suggests a different model — place-based delivery. But it also highlights that they first started talking about changing the service delivery model to place-based services in 1973. That's not change, that's evolution, or extinction.

Some trials are now occurring around the same change that they were talking about in 1973. In the same time the world has been revolutionised by the internet. While the public sector is finally addressing 'place-based service delivery', the rest of the world is talking about service delivery through 'presence'.

In the same period Bill Gates founded Microsoft, built an unimaginable fortune, and was thought by many to be the anti-Christ. Along with his wife and the personally funded Gates Foundation, he has effectively eradicated polio. For all the governments, for all the time, all the money, the United Nations, all the meetings, air hours and diplomats, one man, one industry delivered the leadership to transgress international boundaries, war zones and self-interest to make the world a better place.

We cannot live without public services. They are literally the glue that ties the nation together. The roads, the rail, the infrastructure. They provide the nation's security through border protection, the military and policing. They are the safety net for the unfortunate and unwary: hospitals and medical services, emergency services, social services and welfare. They provide for our prosperity through education and the framework for development, innovation, and export and trade.

Unfortunately, we cannot afford the public service we have. It is the country's largest monopoly, exhibiting all the traits one expects of a monopoly: lumbering, inefficient and arrogant. It effectively has unlimited resources. If it needs more, it drives the country into debt and increases levies. The public is even without the option to 'go without'.

The Public Sector is in a pact with the Australian people and it is not meeting its end of the bargain. Change is necessary: to adapt, innovate and lead. It needs to do it at the pace of a contemporary world.

AN INSIGHT INTO VETERAN'S AFFAIRS

The Department of Veterans' Affairs (DVA) provides an easily understood example.

Its stated purpose, *inter alia*, from their 2016–17 Annual Report is: "... administers payments and services to eligible veterans ... Its purpose is to support those who serve...through enhancing and maintain quality of life...".

This seems unduly administrative and internally focussed. An outcomes and service centred approach might articulate that purpose differently:

"to ensure all veterans, past and present, are supported and commemorated to the fullest extent endorsed by government and allowed for by the legislation".

That would better reflect the stated government intent as endorsed by the Australian people. DVA's strategy and activities would then unfold differently, as would their performance reporting.

While their 2016–17 Annual Report states that around 291,000 veterans received entitled services in that period, there is no comment on what percentage of eligible veterans in the community this represents. We understand that DVA doesn't know.

The report goes on to describe the level of activity and money spent, but no measure of success or effect.

A better performance measure might state "there are estimated to be X00,000 eligible veterans. By 2020, 95 per cent will be registered in DVA and will be receiving the services for which they are eligible".

With this, success would be measurable and accountability clear.

There are two elements to the Public Sector: the design of policy supporting the government in its decision making, and the delivery of government policy—either directly or through third parties.

Our submission focusses on the second issue, leaving the concepts and approaches of collaboration, expertise and inclusion in the development of policy to others. We will comment, however, on the question of the public sector driving innovation and productivity in the economy.

Every organisation is perfectly designed to deliver the outcomes it delivers. It is self-evident, really. The corollary is that the existing organisations are not designed to deliver new outcomes. It also follows that culture defends culture. Those who have had a career within the public sector, who have helped design and build the processes over the past decades must be proud of the work they have done. They have undoubtedly worked hard, contributed not just their time, but themselves. We should not belittle nor ignore their efforts, but those who will be prepared to tear down their history, to accept that their contribution no longer sustains the future, will be few and far between.

Defence provides a great case study on the success of reviews: Mortimer, Black, Rizzo, First Principles Review to name a few. Implemented by those who 'operated the status quo', governed by those who designed it. While the leadership team may change, often those who were asked to leave are brought back under contract for 'continuity'. Internal government audits of the implementation end loudly with self-congratulatory claims of success.

New organisations and structures are the camouflage of change, led by those who know no other way. The key to change is leadership, and the first thing that must change is the leadership if there is to be any chance of success.

“ Every system is perfectly designed to get the results it gets. ”

DEMING, *ATTRIBUTION QUESTIONED*



WESTMINSTER GOVERNANCE — A LITTLE BROKEN?

The convention of ‘Individual Ministerial Responsibility’ may operate in theory, but less so in practice. In our experience, Ministers actively separate themselves from Departmental processes. Westminster government is controlled by convention, and convention develops over-time. The scope of activity, the complexity of administration and the challenges of conflicts of interest overwhelm ministers such that they focus on setting policy but leaving implementation and operations to the Department Secretary and staff.

The Minister’s desire for separation is understandable. The background of the Minister is likely to be more political than performance, often without experience in governance, leadership, management or execution in large organisations, let alone in the domain complexities of the organisations under their purview.

The introduction of a Board-like structure with independence and diversity of experience and thought operating between the Minister as the owner shareholder and the Secretary as the CEO would seem useful. The structure would not mimic that of a commercial entity, but might take many lessons in good governance from the commercial sector. We would think it would focus on execution of policy rather than formulation, which properly resides within the political sphere. Strategy, accountability, performance and compliance would be hallmarks of governance. Independence and diversity of thought and experience would immediately complement the public-sector experiences of the secretaries.



ANAO — AN ANACHRONISM



A recent ANAO review of the Defence fuels procurement provides an example. The audit comments failed to form any view on value for money, only expenditure. They posited a populist notion that too much was spent on consultants without exploring why they were engaged or the outcomes of the work performed. They missed that the 'consultants' were in fact practitioners from the oil and gas industry assisting Defence to remediate a distressed program caused by a lack of experience in oil and gas, or the ability for Defence to ever engage a sustainable knowledge workforce in that domain. Their investigation and conclusions could only be, at best, shallow.

It could be argued that the ANAO performance audit should provide the oversight, independence and advice to the Department. A review of a few reports, and ones in which we have participated, indicate the organisation has little to offer in its current form. The auditors typically have little experience outside of their narrow domain, of delivery, of commercial execution. We have yet to see an insightful or comprehensive review that uncovers the heart of an issue. Too often their comments are populist, shallow and address a symptom out of context. The recommendations are of little value.

They are further weakened by process. Agreed terms of reference, often honoured in the breach, and findings that are pre-agreed with the Department. Ostensibly reviewed for accuracy, the practice is to negotiate acceptable compromise positions.

We need audit and review, but we need it to be independent, competent and courageous.



OUTCOMES, PERFORMANCE AND ACCOUNTABILITY

Performance and accountability are two sides of the same coin. Neither can be achieved if the outcomes are unclear or weakly stated—if there is nothing solid against which to measure, then performance cannot be measured and accountability fails.

In 2011, the Department of Defence, including the Defence Materiel Organisation (DMO) as a proscribed agency, were unable to satisfy a government directive to despatch an amphibious ship in aid to the civil community, despite having been provisioned three suitable ships and having a clear directive to ensure one was available in the cyclone season to support the community. Defence didn't deliver.

The failure gave rise to the Rizzo Review. Yet, the 2010–11 Annual Report doesn't mention the failure. It mentions only the remediation work to improve systems, as if it were a departmental initiative, rather than a reaction.

Worse, the annual report was accepted, suggesting governance also failed.

There is no evidence of accountability flowing to any individual. There were no apparent consequences for the Chief of Navy, Head of the DMO, Head of Maritime Systems, Director General Amphibious Ships or any of the hundreds of leaders and managers in those organisations. Great care was taken during the Rizzo implementation to ensure that there was no suggestion that anyone or any organisation had failed to deliver. Yet they clearly had.

The public-sector rhetoric of accountability, to date, has little substance.

A review of departmental strategies and annual reports quickly provides for a conclusion that measures across the public sector are typically weak, structured around activity not outcomes, administrative in nature and, as a consequence, almost always achievable.

Department objectives and measures are designed for the avoidable, rather than the achievable and accountable.

“While serving under a French general in Cambodia I made a comment on how the Australian soldiers had performed beyond any reasonable expectation. He responded that in his experience great teams always had great leaders. He was right. An extraordinary detachment had an extraordinary corporal, a troop a lieutenant. Over the next 20 years it is clear to me that extraordinary businesses have extraordinary leaders. The public service needs the extraordinary, not the safe and survivable.”

JOHN GLENN,
MD KIAH CONSULTING

High-performing teams are, of course, the answer to high performance. We don't often get to choose our teams, so the question of high performance usually falls to leadership. The essence of leadership is courage: the courage to set a strategy, develop a plan and give freedom to others to execute; and the courage to address weaknesses in the people, process or plan.

In our business, we have a saying: ‘Good clients have three attributes: a problem, money and courage’. We can get two out of three easily.

There is no pact between the public-sector employee and the Australian people that provides for tenure. Ultimately, if an individual cannot deliver the required performance standard or deliver the required outcomes, then the individual needs to be changed. We have rarely observed someone come to work who doesn't want to do a good job; but we have seen many not doing good jobs. The obligation of leaders is to the outcome and to the members of the team who are performing, giving their all to the outcome. The obligation is not to the non-performer.

The structure of recruitment, placement, and performance management is not simply cumbersome, it is a millstone around the neck of performance. On the face of the public numbers, recruitment and HR functions are extraordinarily well performing. The number of reported separations due to non-performance or infringements is minor — tens, if that many. Recruitment mistakes and separations during an employee's probation period seem to be almost nil, as far we can discern from public reports.

The concept of diversity is shallow. A diverse workforce is sought because it brings diversity of views, experiences, thought and perspectives. We don't suggest that the drive towards greater gender and ethnic inclusion is inappropriate, we are supportive. But so too is a need for mobility between public and private sectors, especially at the executive level.

Mobility between agencies is of low value. Moving from the Department of Finance to the Treasury provides new perspectives through a very narrow lens. The Public Service Commission makes proud of the fact that 62 per cent of the public service is located outside of Australian Capital Territory (ACT) but makes no mention of which public servants. The bulk of the senior executive would seem to be in the ACT. While the ACT may be an attractive town, it in itself constrains diversity. Other than a few exceptions, there are few businesses of substance headquartered in the ACT. The town comprises the public service, businesses servicing the public service or businesses that service the town. Even socially there is little diversity of thought and experience.

Exploring the Department of Veterans Affairs again, no senior executives have experience outside of government. Of the 16 senior executives, 14 are career public servants. At the Department of Home Affairs, 12 out of 14 are career public servants. Across all instances, only two are identified as having moved from senior commercial to senior public service positions, and none have moved more than once. Our numbers are not exhaustive and may not be entirely accurate as public information is limited. But the trend is clear, diversity of thought and experience is not sought after, and the preservation of the status quo results.

In the same way as there are diversity targets for gender and ethnicity, more sophisticated approaches supporting mobility between the public and private sectors is warranted. We suggest that a senior public servant without any commercial experience should be considered a poor prospect for promotion — at least in roles charged with execution of policies.



CONTRACTING, CONTRACTORS AND CONSULTANTS

We were assisting a Commonwealth client to prepare for an upcoming tender — three years before the existing contract came to an end. The early preparation was laudable, but the existing contract had commercial weaknesses that could be renegotiated. We estimated ~\$4m a year saving for three years and we would forgo our fee if we didn't achieve that outcome.

“Too difficult and not worth the effort”, was the response.

A 1% reduction in last year's new contracts would provide every pensioner \$250, fund fifty thousand university scholarships or establish ten specialist cancer units.

It is worth the effort. That fact that the process was too hard, and that the executive was not interested is a public service failure on many levels.

It would be remiss not to comment on the current debate regarding contracting, contractors and consultants. In general, we find the conversations to be ill-informed.

CONTRACTING out an activity provides an immediate service and performance management framework. This in itself is an advantage. If the service doesn't meet standards, don't pay for it. If a person is unsuitable, terminate the contract. Neither of these measures are available within the public service.

Procurement practices, however, are largely transactional. They destroy value rather than create it by driving to the mediocre through tendering, evaluation and an argument of terms. The public sector is unsophisticated in creating commercial value. Public-Private Partnerships, for example, are most focused on providing financing through operating costs and avoiding budget pressures than building self-sustaining funding models driven by the commercial entities prowess in customer capture and marketing.

‘Deal making’ is seen as unhelpfully commercial and not worthy of the public sector. But it is strategic deal making—where addressing the others party's interests to further your own—where long term value is gained. This is particularly relevant in the services rather than the systems procurement.

The Commonwealth Procurement Rules are not particularly constraining, simply demanding competition, value for money and equitable process—albeit in a wordy way. Department implementations and a fear of criticism are the most limiting factors. Courage is again the key.

Hiring **contractors** is an expedient short-term staffing option. But it should be short term, not a long term hiring model, both because of the cost and the lack of ownership of corporate objectives. Use should be minimised.

CONSULTANTS are a mixed bag. There is definitely a trend to ‘revolving door’ surrogate resources who call themselves consultants. Unless they bring expertise and experience outside of the norm and the public sector they are contractors with a fancy name, and invoice. Retired public servants with no other experience do not bring alternate views.

Consultants should bring value, synthesis and potentially scale. They should challenge not agree. The public service needs consultants but too many, small and large, are low value not worthy of being engaged.



INNOVATION



Innovation lies in industry. The public sector needs to learn how to harvest it. This is not about new technologies per se but new business practices and new ways of delivering services. Cloud Services is an example—fee for services, the reduction in systems integration risk with the product developer responsible for innovation, ongoing upgrades as a matter of being engaged. It is not enough to write a decree from on high, the frameworks need to be in place to support success.

Better governance to foster and mentor the innovation. Encourage don't control. New funding models such as the move of some capital funds to operating costs—and mechanisms to reward Departments and their people for innovation and ability to harvest the rewards.

Innovation is more than a Design Thinking Workshop and a new name for a meeting room. The public sector can only be innovative if the leadership rewards and fosters innovation. That is not evident today.



SUMMARY AND CONCLUSION

We see the public service as having two distinct ‘elements’ policy development and policy execution. Our comments focus on policy execution and delivery as the ‘business and service’ end of the public sector. It is the country’s largest monopoly and exhibits the traits of one: lumbering, inefficient and arrogant. The monopolies are managed by an individual, without the same standard of governance and performance we would demand of the private sector.

It, like all organisations, is perfectly designed to deliver the outcomes it gets. Those outcomes are poor and do not meet the pact to spend the Australian people’s money wisely, and to effectively deliver the services that are asked of it.

Change is masked by organisational restructure and cosmetic staff changes. Reviews are superficial and bland, often drawing non-confrontational results. The ANAO and internal audit staff have neither the experience or courage to properly challenge activity within Departments. There is a lack of performance and consequence, protected by a career model, a view of tenure, little support for mobility between the public and private sectors, and a limited perspective on diversity giving rise to group-think.

Structures that establish clear strategies and monitor performance are required. Poor performance needs to be dealt with while innovation encouraged and success rewarded. The answer lies in leadership and governance. The essence is courage.



📞 +61 2 6230 5347 ✉ consulting@kiah.com 🌐 www.kiah.com
15 LONDON CIRCUIT, CANBERRA ACT 2600

