



Australian Institute of Performance Sciences

SUSTAINED VALUE-CREATION OUT-PERFORMANCE

www.aips.online

contact@aips.online

Telephone: 1300 762 190

GPO Box 1524, Melb, VIC, 3001

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Independent Review of the APS
c/o Department of Prime Minister and Cabinet
P.O. Box 6500
Canberra ACT 2600

Australian BREAKTHROUGH in Enhanced Governance for Sustained Value-Creation Out-Performance

To the APS Review Team:

The Australian Institute of Performance Sciences (AIPS) makes this submission seeking to secure appropriate engagement with the Independent APS Review team, and as appropriate, the Department of The Prime Minister and Cabinet and other relevant Departments.

The AIPS applauds Government's aspiration and commitment demonstrated in the broad social and economic impact incorporated in the APS Review Terms of Reference (TOR).

We applaud the TOR's recognition of the need to reimagine a fit-for-purpose APS including the fundamentals of 'capability, culture and operating model' within the context of coming decades of social, digital and global change. We applaud the TOR's recognition of the economic and social impact of APS effectiveness on broader social and economic outcomes through its role as Australia's major employer, investing some 25% GDP, and through provision of service to support and activate community.

In Executive Summary, we note:

- Significant initiatives are working to upgrade the sustainability and effectiveness of global financial systems, social cohesion, sustainable development, responsibilities and purpose of the company, sustainable capitalism, inclusive democracy and effective government. These are globally engaged cross-economy at the most senior levels of governments, regulators, agencies, investors and companies. (*e.g.: EU FISMA, UK FRC, IIRC, UN PRI, ICGN, AICPA, ACCA, WEF, CECP, A4S, IFAC, Inclusive Capital, and many others*).
- These global movements pivot on the need for enhanced governance and reporting to deliver necessary improved future systemic outcomes.
- Australian economic leadership are (predominantly) not engaged in activities of this nature, despite the spotlight on governance and decision making deficiencies coming from many sources. (*e.g.: Financial Services Royal Commission, APRA inquiry into the CBA, ASX Corp Governance Guidelines (Ed 4), INSEAD Global Innovation Index 2018 placement of Australia at #76 for Innovation Effectiveness, Intergovernmental Review of Business Investment 2017, and many others*).

- **The AIPS is being recognised and engaging locally and globally as providing a breakthrough in fit-for-purpose enhanced governance.**
- Australian research demonstrates the application of this breakthrough to:
 - enable corporate and government leaders to effectively direct and monitor optimal investment in long-term financial and non-financial value-creation *(in the context where, as ASX Corporate Governance Guidelines Ed 4 suggest, “Boards are increasingly being called upon to address new or emerging issues including around social licence, culture, conduct risk, digital disruption, cyber-security, sustainability and climate change”)*
 - deliver sustained (multi-bottom-line) value-creation out-performance in large scale organisations, and across public networks *(the leading Australian exponent of these practices delivering returns 350% ahead of the market in a decade of sustained outperformance)*
 - provide a globally scalable investible disclosure framework directing capital to investments that deliver enhanced long-term outcomes *(a breakthrough costing of future-risk for use by long-term investors, demonstrating the level of certainty associated with an organisation’s future prospects)*
- **Governance of Value Creation** is a culmination of historical investments in good practice, including excellent work achieved in the Australian Public sector on Social Outcome measures and other areas. Research demonstrates the achievement of effective long-term outcomes through the mature Integration of these Islands of Excellence to deliver Integrated Thinking and consistently enhanced decision making – in leadership forums, delegated throughout organisations, and through enhanced stewardship across sectors.
- The approach sees Productivity redefined as “the effective creation of new sustainable value” – not merely the continual cutting of costs.
- This approach provides new perspectives and new pathways of action that could be valuably applied by the APS Review to enhance its achievement of TOR outcomes.
- **The AIPS has been set up as an appropriate independent NFP vehicle to facilitate ongoing collaborative development and dissemination of better practice across the Australian economy.**
- The AIPS structure is based on precedents that have enabled government participation despite the necessary public sector constraints. Participation comes in at modest cost and low risk. However, experience suggests that it will require support from the most senior leaders – due to its creation of systemic and strategic benefits across every level and every portfolio.
- **Global leadership in development and adoption of enhanced governance practice, brings significant systemic benefit to the APS and the broader Australian economy.**

This submission calls for collaboration.

1. Collaboration between the AIPS and the APS review to jointly explore the most valuable application of this new thinking (co-creation and co-design) and how it might provide practical steps to increase the achievement of the aspirations outlined in the review’s TOR.
2. Collaboration through Government’s appropriate (exemplar) Foundation Participation in the AIPS alongside, and on the same basis as, its Australian economic leadership peers - in a forum for ongoing continuous development and adoption of enhanced practice.

About the Australian Institute of Performance Sciences

The Australian Institute of Performance Sciences facilitates the development and application of the breakthrough **Governance of Value Creation** approach for achieving sustained high-performance value-creation in large-scale organisations, and across public networks.

The approach is based on academic and commercial research undertaken in Australia that has engaged directors at the top 10 listed companies (seven at Chair), CEOs and directors of large-scale investors and their equivalents amongst government legislators, departments, agencies and regulators.

Through its activity, the Institute presents as an alternative approach to economic development, enterprise productivity, public sector reform and the competitive transformation of the Australian economy.

Additionally, outreach towards **the formation of The Global Institute of Performance Sciences** has been commenced through our 'Letter to Fiduciaries' initiative.

This letter suggests to global investors, that 'we have heard their calls for long-term stakeholder engaged value-creation', and invite them to participate in a collaboration on the development of a Globally scalable disclosure framework – providing an investible periodic assessment of the quality of an organisation's future prospects.

Currently in a signatory gathering phase, our 'Letter to Fiduciaries' is attracting interest from the wide variety of organisations involved in upgrading the sustainability of the global financial systems. Signatories include Chair and Deputy Chair IIRC, CEO of AICPA, and the UN PRI has circulated it to its membership for their signatory participation.

Providing better Understanding

We recommend the APS Review takes a co-design and co-creation approach to gain an understanding of how the Institute's thinking can best be applied to enhance the achievement of the Terms of Reference's objectives.

We propose providing in-depth briefing on the conceptual basis for the Institute, "New Perspectives and New Pathways for Action", the Institute's operational structure, along with the Australian and Global momentum that we currently have underway.

We propose providing an interactive briefing on how this new thinking interacts with prior government experience, existing initiatives within the APS, and within advanced global thinking on public sector governance, stewardship and effectiveness.

And, we propose jointly exploring the potential for delivering significantly advantaged achievement of the outcomes called for in the review's Terms of Reference and broader stated Government objectives.

Overview of the Institute's Work

Our globally leading work is a breakthrough identification of what is necessary and sufficient for large-scale organisations and public networks to lift their rate of sustained effective value-creation. It is not business-as-usual. It is a deliberative upgrade in systemic capability to underpin a new generation of highly-effective performance.

The Australian Institute of Performance Sciences has been formed to further develop and apply this new knowledge. It thus expects to substantively increase effective innovation performance in the bulk of the mainstream of the Australian economic ecosystem, made up of large corporate, government, community and investor organisations, and the public networks in which they operate.

This will have a significant pull-through effect to stimulate higher levels of innovation and growth across the remainder of the economy.

Research evidence supports the Institute's potential to deliver:

- **Stimulation of A\$100Bn additional annual corporate investment in Australian productivity, innovation and export growth**
- **Promotion of Australia as an advantaged destination for \$40Tn in global sustainability focused investment**
- **Sustained wage growth through at-scale investment in high-value new-economy jobs**
- **A pathway to significantly enhanced Public and Community sector performance**
- **A counter to the forces of short-termism, the erosion of public trust and participation**

This is set to be achieved without corporate welfare, blank-cheque incentive programs, or requiring regulatory or legislative change.

This work can operate in addition-to, not as a choice-between, other actions - including the work of the APS Review.

Application of Governance of Value Creation

The **Governance of Value Creation** breakthrough is an enhanced form of governance sufficient to **enable leaders to engage and assure the core Future Fiduciary question, “Are we optimally invested in our own future?”**, and other future-oriented questions, including:

- If we did everything we are currently doing, who would we be?
- Is that who we want to be?
- What do we need to do now to correct course?
- Do we have the value-creation capacity to achieve our goals?

In the Government context these questions can be applied over complex Public Service action on social outcome measures, and in Stewardship over Community activity and the behaviours of Economic Sectors (incl. Health, Infrastructure, Energy, Investment, Economic Sustainability, etc).

Governance of Value Creation enables:

- consistently better decision-making at senior leadership, and delegated throughout organisations, collaborative networks, and the wider public fabric,
- consistently improved capacity to engage with, and extract value from the use of technology and other emerging opportunity and threat,
- reliable communication of periodic progress towards outcomes across multiple future-timelines - serving as a counter to short-termism, loss of public trust and reduced citizen participation.
- optimisation across multiple-bottom-lines incorporating Integrated Reporting and the wide range of social outcome measures that various Australian governments are working towards.

Governance of Value Creation is the culmination of the historical investment in advanced disciplines. It is a recognition, activation, integration, move-beyond and realisation of the benefits of the excellent work of professional disciplines, including from public service agencies over many years.

As identified in the Research, there is a step-change in performance associated with a move in phases of ‘Value Creation Maturity’ between “Islands of Excellence” (where most ASX200 and Government organisations are to be found) and the higher level of “Integrated Maturity”.

Research shows the most advanced large-scale Australian exponents of these practices are 350% ahead of the ASX200 in a decade of sustained outperformance.

Further, this enhanced fit-for-purpose **Governance of Value Creation** is sufficient to achieve mastery in a world where, as the ASX Corporate Governance Guidelines Edition 4 suggest, *“Boards (and therefore Government leadership forums) are increasingly being called upon to address new or emerging issues including around social licence, culture, conduct risk, digital disruption, cyber-security, sustainability and climate change”*.

Conclusions and Recommendations

The Australian Institute of Performance Sciences presents a new pathway to economic development, enterprise productivity, public sector reform and the competitive transformation of the Australian economy. We bring genuine breakthrough global thought leadership to achieve significant-scale economic and social outcomes. These outcomes are aligned to stated Government priorities, and objectives within the APS Terms of Reference, that are (generally) not addressed by other initiatives.

We applaud the recognition and aspiration for broad social and economic impact incorporated in the APS Review Terms of Reference. We encourage the APS Review team and its leaders to maximise the once-in-a-generation opportunity of this broad mandate, and to engage an inclusive, outward looking, role-within-the-economic-system approach - in addition to the very real operational and organisational Public Service challenges it needs to address.

To maximise the value gained from the Institute's new perspectives and new pathways for action, we recommend the following actions are authorised by appropriate sponsors, and intertwined with the APS Review – so that learnings from these activities are available to be included in APS Review recommendations.

Recommendation 1: For the APS Review to engage the Australian Institute of Performance Sciences in an Advisory capacity.

To access the additional perspective of new breakthrough thinking and experience at appropriate points within the APS review process. And, to leverage AIPS extensive local and global industry reach, knowledge and engagement.

Recommendation 2: Development of a Capability Upgrade Plan: Effectiveness Enhancement from a Governance of Value Creation perspective.

This will provide actionable guidance to enhance the Secretaries Board's capacity to lead, oversight, engage, prioritise and lift the rate of sustained effective value-creation – across public and community sectors – and across economic and social outcomes.

Recommendation 3: Development of a report on “Sustained High-Performance Value-Creation in the Australian Economy”

The concepts, opportunities, economics, interest-in-participation and development pathways for Governance of Value Creation in Australia's commercial, investment, public and community sectors... and, its context within Australian and Global regulation and practice development.

Recommendation 4: For The Commonwealth to take an exemplar Foundation Participation in the Australian Institute of Performance Sciences, alongside its TOP500 economic leadership peers.

Subscription on the same basis as other participants based on size within the economy for a minimum of three years. Fees cover an agreed set of measurable outcomes and fixed delivery dates (which could include recommendations above). The AIPS is in an independent NFP collaboration for the ongoing development and adoption of enhanced cross-economy governance practices.

Government is a significant component of Australia's economy. Its exemplar behaviours, and collaborative participation in the ongoing development, and adoption of advanced practice is vital. It has impact both through the direct activity of the Public Service, and in its Stewardship of industrial and community sector performance.

The economic and cultural importance of the exemplar role for Government is frequently referred to by the Prime Minister, and is contained in the APS Review Terms of Reference.

The breakthrough approaches developed by the Institute are not business-as-usual. Consideration of the opportunities arising defy existing decision processes. Experience demonstrates that decisions will require engagement and consideration from the top. Whilst cost and risk are contained, the strategic benefits systemically impact all portfolios – and deliver step-change movement across a number of government's stated priorities. It provides the answers that everyone is looking for, but no-one is expecting to find.

We encourage the APS Review team and leadership to engage this new thinking, and use the powerful mandate it has been given to facilitate appropriate systemic responses to this new knowledge.

We look forward to further engagement with the Review, and such other executive and administrative government forums as may be appropriate.

Danny Davis MAICD, FAIM

Executive Director
Australian Institute of Performance Sciences
danny.davis@aips.online

Lars Schiphorst

Executive Director
Australian Institute of Performance Sciences
lars.schiphorst@aips.online

Further Reading

We recommend the APS Review make themselves familiar with other information published on the www.aips.online website including our:

- Advisory Board
- Expert Advisory Committee
- Responses to various Parliamentary Committees
- Reporting from our series of Roundtable workshops held at State and Federal Parliaments
- Global outreach through our 'Letter to Fiduciaries', and
- The Institute's white-paper series:
 - **Australian Prosperity**: An alternative approach to sustained economic Development. Economic growth and budget repair.
 - **Enhanced Stewardship**: Enhanced Government and Community Sector Performance, Better Societal Outcomes, and Activation, Engagement and Alignment across Public, Commercial and Community Sectors.
 - **The Executive Epidemic**: Unsustainable Overload. Idea resistance. Perverse incentives. Frustrated value. Career risk.
 - **Active Value**: New Research Empowering Sustained Superannuation Prosperity.

And, additional information is available on request, including:

- A Research Summary
- An introduction to 'Phase Shifting' transformation methodology
- A presentation on the Institute's operation, model and strategy, and
- Our recent budget submission calling for the funding of a paper entitled "Sustained High-Performance Value-Creation in the Australian Economy"

The concepts, opportunities, economics, interest-in-participation and development pathways for Governance of Value Creation in Australia's commercial, investment, public and community sectors... and, its context within Australian and Global regulation and practice development.
- Our recent submission to the Financial Services Royal Commission on the applicability of enhanced governance practices to engage;
 - Sustained value-creation out-performance,
 - New and emerging issues including around social licence, culture, conduct risk, digital disruption, cyber-security, sustainability and climate change,
 - The potential impact on Australia's future economic and social prospects.
- A sample Foundation Participation 'Heads of Agreement' contract outlining the specific measurable outcomes to be delivered against the Commonwealth's subscription.