IPAA PRESENTS

Twelve Speeches 2016

A YEAR OF SPEECHES FROM PUBLIC SERVICE LEADERS

Institute of Public Administration Australia
ACT Division

OUR BOOK

'Twelve Speeches 2016'

Institute of Public Administration Australia (IPAA) ACT Division.

This publication is a collection of edited transcripts. The views expressed in this document are those of the speakers, and should not be attributed to IPAA.

All speaker roles are as at the time of the address.

OUR MISSION

To promote excellence and professionalism in public administration.

OUR ORGANISATION

IPAA is an organisation that works in partnership with the public sector, the private sector, academia and other institutions, to provide a platform for debate and discussion about improving and striving for excellence in public administration in Australia.

IPAA is a not-for-profit organisation that was founded in 1952. We are governed by an elected Council under the leadership of the President, Dr Gordon de Brouwer PSM. Our funding comes from membership fees, events and sponsorship.

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Foreword

IPAA occupies a privileged position with leaders from across the public sector. Our purpose is to promote excellence and professionalism in public administration, through the provision of a platform to discuss and debate issues of relevance to the sector.

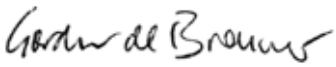
Each year IPAA delivers a program of events to the public sector in Canberra. 2016 was a significant year with 50 events held. Over 7,500 attendees engaged with IPAA, a doubling over the previous year.

Twelve Speeches 2016 showcases leaders who shared the stage during 2016, presented in chronological order:

- Our year opened with The Hon Malcolm Turnbull MP, who delivered the *Prime Minister's Address to the APS* at the Great Hall at Parliament House.
- We hosted four Secretary Series events during the year, providing an opportunity for Secretaries to reflect on their portfolios and the challenges facing the public sector.
- We were honoured to host valedictory addresses for Jane Halton AO PSM and Peter Varghese AO, as they reflected on their collective contribution of 71 years to the Australian Public Service.
- Our annual conference *'Thinking Big'* in November hosted a further three Secretaries and included a speech by Senator the Hon Arthur Sinodinos AO.
- We closed the year with the *Annual Address to the APS* by Dr Martin Parkinson AC PSM.

I am pleased to share the collective wisdom and thoughts of this distinguished group.

We appreciate the support provided to IPAA and look forward to working with you in the years ahead.



Dr Gordon de Brouwer PSM
President IPAA ACT

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PARLIAMENT HOUSE, CANBERRA
WEDNESDAY 20 APRIL 2016

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PRIME MINISTER

**'Of course innovation and technology go hand in hand.
An unwillingness to embrace technology is,
to put it bluntly, simply not acceptable.'**

Keynote speaker:
The Hon Malcolm Turnbull MP,
Prime Minister

Introductory remarks:
Ms Glenys Beauchamp PSM
Dr Martin Parkinson AC PSM

MS BEAUCHAMP:

Welcome to the address to the Australian Public Service from the Prime Minister of Australia. My name is Glenys Beauchamp. I am Secretary of the Department of Industry, Innovation and Science, and also, for this event, President of IPAA ACT. We are absolutely pleased to be hosting such an event.

I'd also like to recognise many of my colleagues here today. We have here over 13 Secretaries, heads of agencies, a number of leaders from academia, media, and those interested in public administration. So thank you very much for your attendance and it's great to have you all here.

I have a few minutes before the Prime Minister arrives so I'll just give you a quick run-through of what we are covering today. We will have some opening remarks from Dr Parkinson, the Secretary of the Department of the Prime Minister and Cabinet, then the Keynote Address from the Prime Minister, with some time for questions after that. A number of agencies have already submitted some of those questions and we hope to be concluding by around 9.45 am, based on the Prime Minister's very tight schedule.

We are live streaming on the Internet today to departments and agencies across the public sector and to some states and territories, directly to IPAA members as well. I want to thank everyone for their support of IPAA. Also, we had last week an address from Professor Peter Shergold which we taped and videoed and made available on our website.[1]

So to those of you who are watching us right now from your desks, welcome to the Great Hall and the address to the APS.

A transcript of today's address will also be available on our IPAA ACT web site. I will take a little time to tell you about what's on our agenda for IPAA ACT. We've taken the liberty of leaving a package of information on your chair. Hopefully most of you know all about us and what's coming up but in that package is our Strategic Plan and a calendar of events. I want to highlight the nomination information for the Prime Minister's Awards for Excellence in Public Sector Management; it's not often we get to celebrate what we do as public servants and public administrators so please look out for that.

We would like to announce also today that our annual conference will be held on 9 and 10 November 2016 and we've got some great speakers coming to that, including Catherine Livingstone, who is the President of the Business Council of Australia. Also, we have the Canberra Evaluation Forum happening, with David Kalisch, the Australian Statistician. I think the Prime Minister is just about ready to arrive, so I won't tell you anything more now.

Please join me in welcoming the Prime Minister to today's event. Thank you very much.

1 Learning from failure: https://www.act.ipaa.org.au/2016-pastevent-failure

DR PARKINSON:

Good morning, everyone. It's a privilege to be introducing the Prime Minister in his first major address to the Public Service. So I welcome you on behalf of IPAA and the Prime Minister to this morning's address. I'd first like to acknowledge the traditional owners and custodians of the land on which we gather today, the Ngunnawal People, and to pay my respects to elders past and present. I extend that respect to all other Aboriginal and Torres Strait Islander People here today.

Successful governments see the political class and the Public Service as partners; with each, with a clear role, contributing in their area of expertise to develop and implement policies and programs and to deliver services and regulatory functions. Improving the wellbeing of Australians in this way is easiest done with professionalism, cooperation and good will on both sides.

As public servants, how can we make that partnership as productive as possible? First and foremost, we must be an ideas ecosystem. We provide the government with an engine room to conceive, test and implement ideas. That's what we're all doing, whether we're in policy, program, service delivery, regulatory or support roles. Because we deal in the creation, implementation and assessment of ideas, we should be a natural home for innovation and blue-sky thinking. Yet, sadly, we are not as good as I think we can be or we need to be if we are to deliver what Australians expect of us. This will be an ongoing priority for me as Secretary of Prime Minister and Cabinet.

A second priority is leadership. My expectation, and I venture to say the Prime Minister's expectation, is that every person at every level will be a leader. Leadership comes in many forms and the sooner you realise that leadership comes in a package the same size and shape as you the better. This is a sentiment very much inspired by someone that many of us in this room have looked up to for a long time: the late Tony Ayers AC, who was laid to rest yesterday after a very full and productive Public Service career, including 19 years as secretary of a range of departments, including 10 years as Secretary of the Department of Defence.

Before the Prime Minister speaks, what can I tell you about working with him? He is an open book. He wants our ideas. He will seek our advice but he will also question our advice and seek the advice of others. He will look at ideas from every angle. Sometimes he'll walk away and think about it and come back again. From what I've seen, he won't be reckless or hasty. He feels keenly his responsibilities to the Australian people. Now, this presents us public servants with opportunities like we've never had before. Those who have the courage to seek out ideas, to base them on evidence and to advocate for them are entering a rich period of possibility.

As head of PM&C and of the APS, I want to capitalise on these opportunities to build a smarter, more prosperous and innovative Australia where each generation builds on the success of the last. But that requires an APS that is innovative, flexible and – yes, Prime Minister – even agile, and an APS that displays leadership at every level. On that note, please join me now in welcoming the Prime Minister, Malcolm Turnbull, to talk to us about his vision for the Australian Public Service.

HON MALCOLM TURNBULL MP, PRIME MINISTER:

Thank you very much, Martin. I am delighted to be here today to share with you all. As Glenys Beauchamp just advised me, the three and a half thousand that are watching this event on the Internet, I want to share with you my vision for a 21st century Public Service.

There are so many great public servants here today but I just want to acknowledge one in particular who has been of enormous assistance and support to me and the government since I became Prime Minister, and that is of course the former Secretary of the Department of Communications Drew Clarke, who is my chief of staff. I want to thank Drew for his great support and providing the benefit of years of experience and wisdom and providing a very keen understanding and a strong link to the Australian Public Service so that the Prime Minister's Office and the APS work together; each, I trust, getting the best out of the other in the national interest.

Now, there's no doubt that we live in a time of rapid transformation. The world, let alone the APS, is in uncharted territory in many respects. Just like the economy, the Australian Public Service is disrupted by forces which it cannot control. One might say, therefore, that there has never been a more exciting time to be a member of the Australian Public Service. The challenges of these circumstances are many and complex and the best tools we have in times like this, in times of volatility, are resilience, agility and adaptability.

At its most fundamental level our democracy depends on a reliable, dedicated and responsive bureaucracy. A robust political environment and a well functioning Public Service can and indeed must coexist. Now, the meaning of 'responsive' of course may have changed for the Public Service from a century ago. My own department's role has changed significantly from that which managed the sale of wool to Britain and on Prime Minister Stanley Melbourne Bruce's directive supplied ships at sea 'each day with full reports of the important cricket matches'. For those of you who are not involved in central agencies and might have wondered what they do, there you go, that's an important central agency responsibility.

A hundred years ago no-one could have foreseen the breadth that the Australian Public Service now encompasses. Now more than 150,000 professionals with experience in areas as diverse as foreign policy, climate change, aged care, cyber security, digital transformation, advise on and implement public policy. The reality is the government could not formulate or implement any policy of substance without our Public Service.

I can tell you that my government knows and respects the true value of the Australian Public Service. We know that we are fortunate to have at our disposal the knowledge, the experience, the passion of people who have chosen to serve the government of the day and in turn the Australian community who put them there. We want to hear your advice. We want you to tell us what you believe is best for Australia, not what you think the adviser in your minister's office wants to hear.

'As a leader, as a manager, of a business, of a department, of an agency, of a unit, of a section, part of your job is as far as you can to make sure that the people that you are responsible for are able to get the right balance between home and work.'

You work for the Australian people, and if you have that at the heart of all policy development we will get the frank and fearless apolitical advice that has been the hallmark of the APS over its lifetime. In the midst of rapid change, that attribute should remain a constant.

Plenty, of course, is changing for the APS in 2016. Digital disruption, greater transparency in data and information, contestability of advice, rising community expectations for fast and personalised government services are just a few of the challenges you face. These are not challenges to be avoided or regretted. They must be embraced. In this new economy we need Australians to be more innovative, more entrepreneurial and government should be the catalyst.

For those who want an insight into just how government can stymie innovation and entrepreneurship, I recommend Marcus Westbury's book, *Creating Cities*. Marcus Westbury was the brains behind the highly successful Renew Newcastle Project, which used the ideas and imaginations of the city's residents to revitalise its abandoned CBD. But the success of the project was in spite of government, not because of it.

Westbury said that finding answers to simple questions about zoning and leasing of empty shops and offices was virtually impossible. For any doubters, he challenged them to call a government switchboard and find the right person to give you both a definitive and comprehensible answer. Now, government has to do better. The new economy, our future, depends on it. The prosperity of our nation depends on it.

We're already of course seeing instances of government transforming the way we do business. My own department, for example, not traditionally known for cutting-edge risk-taking behaviour, has begun to explore a new approach to IT projects. My department is collaborating with the Department of Social Services using a small low-cost project to improve the management of grants. It's a 'learn fast, keep moving' approach modelled on good private sector practice. It uses off-the-shelf products that are configured rather than coded. This saves development time and cost, enables the latest Internet-based business processes and improves both the user and the provider's experience.

'We've got to also study and understand what has worked and what has failed in public policy around the world. That should be a core competence of policymakers, to learn from the experience of others.'

Now, that's why I've placed the Digital Transformation Agency in my portfolio and appointed an assistant minister to focus on the task of digital transformation. Digital transformation must be at the heart of government and therefore it must be whole of government. Program analytics, decision-making times, application and processing times can all be improved. These will deliver more accurate insights and, most importantly, better outcomes for the public. More accurate insights, more real-time insights are much more useful for all of us to make the decisions that Australia depends upon, because after all that's our core mission, to improve the lives of the people we serve, the Australian people.

I know that innovative thinking is not new to the Public Service. Every year for the past 14, the Prime Minister's Awards for Excellence in the Public Sector have showcased exceptional innovation at every level of government. Last year's awardees included my old Department of Communications which completed the world's largest free-to-air spectrum switch without disrupting broadcasters or viewers. The Tasmanian Department of Education received the Gold Award for a web portal that provides school leaders with real-time data about every single student in their school. It takes a high standard of leadership planning and governance to bring these ideas to fruition but the results are outstanding, and I want to see more of this within the APS.

Of course innovation and technology go hand in hand. An unwillingness to embrace technology is, to put it bluntly, simply not acceptable. Cities expert and futurist Dr Chris Luebkeman, who was in Australia recently, spoke of a clay layer in some businesses. This layer consists in some cases of managers in the 40-plus age bracket who did not grow up with the digital technology of today – therefore not what we call digital natives – do not fully understand it and in some instances fear it. That fear, according to Dr Luebkeman, acts as a barrier to its implementation and not only does a disservice to the managers but inhibits the success of their business. Dr Luebkeman suggests it's time for some reverse mentoring; for baby boomers and Gen X to swallow their pride and call on the Millennials to share their experience of the technology that is second nature to them.

Now, we may not all understand instantly new technology but we can learn, and we must because technology and data will transform the way we work. It will make our interactions with the public better and it will help us deliver services more efficiently. We must all commit to learn about the technology at our disposal. That is non-negotiable. You have a fantastic service at your disposal here in the APS to support you on this journey: the Digital Transformation Office. I encourage you all to familiarise yourself with their work and engage with them directly.

As somebody who is well over 40 but also reasonably adaptive to technology, let me give you a key. My old partner in OzEmail, Sean Howard, always used to say there was plenty of technology but what was in short supply was technological imagination. This is a very important point. So what that means is, understand the functionality of what's on offer and then open your mind and imagine what you can do with it. You can make a difference. Plenty of technology, plenty of imagination, not enough technological imagination. Open your minds and be bold.

When the Australian Public Service Commissioner John Lloyd released the *State of the Service Report* last year he said:

> The APS is well positioned to meet the challenges of today but cannot be complacent. It must identify gaps and capability, performance and productivity, and strive for improvement. Some of those capability gaps will be found in the use of technology, some will be in training, some will be leadership, such is the rapid and exhaustive nature of the changes we face.

I want to encourage each of you to take stock of your leadership skills and see where you can improve, and I mean each and every member of the APS because I expect leadership to be shown at every level.

I also expect to see more leadership on gender equality in the Public Service. While the number of women at all levels, from APS1 to EL1, has now reached parity with or succeeded men, women still fall behind from EL2 and into senior leadership. Later this month the Minister for Women Michaelia Cash will release the APS Gender Equality Strategy which will set out how we can create an APS where both men and women have the same opportunity to develop and lead.

You've seen an example of the government's intentions and ambitions in this regard with the way in which we have set out a clear goal of 50 per cent women for appointees to government boards. That should be the target. That should be the target. It won't always reach it but that should clearly be the target. Gender equality is an important – a critical – objective in the APS.

This is an opportunity to drive lasting change; to remove gender bias in recruitment, promotion and retention; and to do away with practices that operate sight unseen to steer women into certain Public Service roles and men into others. Reporting on gender equality at all levels and agencies, adopting flexible-by-default policies and measuring progress are some elements that will see the APS lead again as a workplace of the future for women and for men.

I know Dr Parkinson, as champion of change, led the way with an 'If not, why not?' approach to flexible work at Treasury. I commend him for challenging accepted norms and for introducing gender targets for the first time in the Treasury's history. It's that sort of leadership we need by all secretaries, agency heads, managers and supervisors across the APS if we are going to drive further transformative change.

Now, let me say something further about workplace flexibility. We have the ability to be very flexible in 2016. The technology of course enables that. I can tell you from my own experience, through Lucy's and my experience, in all the different businesses we've run and been responsible for over the years we've always focused on workplace flexibility because we know that it enables gender equality and it enables workers, men and women, to have a much better family–work balance. This is absolutely critical.

As Jack Ferguson, the old Deputy Premier of New South Wales and father of Martin and Laurie and the rest of that Ferguson clan, said to me in 1976, when I was a young political journalist, he said, 'Young Malcolm' – he used to always call me 'Young Malcolm', and I suppose I was then – he said, 'Young Malcolm, peace on the home front is worth 10 per cent on the basic wage'. It was a very wise insight and it's one that's stuck with me ever since and it is a really important priority.

As a leader, as a manager, of a business, of a department, of an agency, of a unit, of a section, part of your job is as far as you can to make sure that the people that you are responsible for are able to get the right balance between home and work. Of course you can't make people happy if they're not happy and so forth. But it is a very important criterion. It's a very important objective. It's one that I've always taken very seriously and I know that it results in better teams, more successful teams, better productivity, better output. It is not a worthy objective in the sense of being idealistic and just some kind of ideal objective. It is worthy of course, but it is also a very practical one and I encourage you to think about it. Just keep that in your mind.

We've got to also study and understand what has worked and what has failed in public policy around the world. That should be a core competence of policymakers, to learn from the experience of others. This leads me to collaboration. One area of public policy where collaboration and learning from others is critical is our cities' agenda. In our quest to build more livable, accessible, productive cities – smart cities, if you will – the centrepiece of the agenda will be the concept of the city deal. 'The city deal' approach used in the United Kingdom has been instrumental in the renaissance of Manchester and Glasgow, and we believe there are many elements that can be applied in Australia but it requires a firm commitment to collaboration. Success is dependent on federal, state and local governments agreeing on a set of long-term goals for cities and the investments, policies and regulatory settings to achieve them.

In this way we can leverage our infrastructure and services to drive national priorities such as job creation and affordable housing. The private sector, which also stands to benefit from city deals, must see itself as a partner. What this all amounts to is that we simply cannot do business the way we used to – government can't, industry can't, and the Public Service can't.

Now, I talk a lot about people being this country's greatest asset because the next boom is the ideas boom, and it is one limited only by our imagination and our enterprise. So it is the one boom that can go forever. I want the APS to be part of that boom. That's why one of the pillars of our innovation agenda is government as an exemplar. I want you to be bold in your thinking. I want you to lead by example. The APS, and likewise the government and the public must accept we may not get policy right the first time. We may have to rethink a policy or program if it is not getting the desired result.

The world is changing too rapidly for policy to be 'set and forget'. Adaptive government encourages experimentation on a small scale so that in the case of a policy not working, the losses are also small scale. There is no shame in adjusting a policy. There is shame in ignoring the fact that it's not working, knowing that we're wasting taxpayers' money and doing nothing about it. Certainly, innovative thinking must be grounded in robust evidence and we must not be restricted by the way things were done in the past.

This is a new era for the Public Service, and if I may paraphrase Robert Browning, 'Our reach should exceed our grasp. This is a time for ambitious leadership'. That's my wish for the APS. I want to see Commonwealth public servants who are filled with a curiosity and a true desire to make a difference. My expectations for you, the APS, are high because I know what you are capable of doing. While efficiency will always be important, in the long-run it will be quality that makes the difference; and experience is one of the foundations of quality.

Just as it is important for the long-serving managers to listen to the ideas of the younger tech-savvy staff, the newer APS officers have much to learn from those who hold the institutional memory and have experience of the policy creation and implementation process. Laura Tingle's *Quarterly Essay*, 'Political Amnesia', highlighted the hazard of the APS losing the power of the anecdote when trying to influence a minister and the ability to remember what Tacitus called 'the dangerous past', that which gives us a conscious and unconscious context for our understanding of contemporary events.

I cannot stress enough the importance I place on mentoring and on being mentored. It's through that process that knowledge is transferred, talent identified, and that is critical because talent is the real asset of the APS. The APS's asset is you. It's the human capital. Just like Australia's greatest asset is the 24 million Australians, not the rocks under the ground. We need an APS that believes in continuous improvement, staffed by intelligent, motivated officers as much in touch with the local community as they are with the global community.

My government is determined to grasp the enormous opportunities presented by this time of rapid change and I expect nothing less from the Australian Public Service. The key to success for a 21st century APS is to embrace innovation and technology, to think big and bold, and to be committed to learning and leadership at every level.

I want to thank you all, every one of you, for your role in good government; and I thank you too for your dedication, often of a whole lifetime's career, to serving the Australian people. Thank you.

'Gender equality is an important – a critical – objective in the APS. This is an opportunity to drive lasting change; to remove gender bias in recruitment, promotion and retention; and to do away with practices that operate sight unseen to steer women into certain Public Service roles and men into others.'

Dr Parkinson: Prime Minister, thank you for those thoughtful words and especially encouragement for us to be bold and imagine a better future. Two things that are probably worth noting in that respect is that the Secretaries Board, at its last meeting, agreed to establish a diversity council of all of the secretaries and some external members, in part as we have agreed as a group on the importance of us stepping forward as leaders to lead the policies that Minister Cash will announce on behalf of your government. We've also agreed to establish a talent council to be led by Finn Pratt to seek out and build the leadership capability that we think will be needed in this new environment. These are two initiatives that the Board has agreed in the last month and are evidence I think of the recognition on our behalf that we need to do things differently. The world has changed and you are spot-on.

We've now got time for some questions from the audience. Given the time constraints, IPAA has asked for questions to be submitted in advance and our questioners are ready to go. The first question is from Chris Legg from Treasury.

Mr Legg: Thank you, Martin. Prime Minister, thank you very much for a very impressive presentation. As an aging baby boomer, I'm especially challenged on the boldness and imagination front but I feel it's a very strong message and one I take well. Compared to many of your predecessors, and all that I can think of, you bring a much wider range of professional experience to this role from outside of politics and I would be interested in knowing what you think that broader range of experience brings to the way you approach the job. But I would also be interested in if there were insights that you glean from the role itself that surprised you about the public policy process and whether you could share those with us as well.

Prime Minister: Thank you very much, Chris. Yes, I've had a diverse career and done a lot of different things over the years. The Press Gallery of course feel that I started off with a thoroughly reputable profession as a journalist and it's just been a slide downhill ever since. But let me make a couple of observations: I think one important point that some of you may have heard me make before is that public policy – and you can make the same point about politics – is much more parochial than business is in the 21st century. Many businesses are of course global firms. In fact, increasingly that is the case. If you have a manufacturing business in Australia or a services business, professional business, you are inevitably going to be dealing one way or another internationally.

I think in terms of our development of public policy we pay insufficient attention to what is happening in other jurisdictions. I have been surprised, for example, over the years how little is known or how little attention is paid, particularly by previous governments – I'm obviously talking about previous Labor governments, naturally, I hasten to add – how little attention was paid to what has worked and what hasn't worked in other places, including somewhere as close as New Zealand, for example. Often not enough attention is paid to what is going on in the states – and I say the Australian states, let alone the United States.

I think it is very important – and this is not an invitation for a mass exodus on fact-finding missions because there is the Internet and even the telephone for those that are frightened by the Internet – it is really important to examine policy experiences in other places because most countries, certainly all developed countries, are grappling with pretty much the same policy challenges and everyone has got different responses from which we can learn. So I think there is a need to be more open-minded.

'Digital disruption, greater transparency in data and information, contestability of advice, rising community expectations for fast and personalised government services are just a few of the challenges you face. These are not challenges to be avoided or regretted. They must be embraced. In this new economy we need Australians to be more innovative, more entrepreneurial and government should be the catalyst.'

The other thing I would say, as you know, and I said this at the time I became PM and it is something I am very committed to, I am a very strong believer in the Cabinet process, in the traditional Westminster Cabinet process. It can be very fleet of foot obviously – again 21st century technology. But our tradition of collective decision-making is a very valuable one. There are very few propositions that are not improved by discussion and debate.

Dr Parkinson: Thanks, PM. The next question is from Maree Bridger at Immigration and Border Protection.

Ms Bridger: Good morning, Prime Minister. I, like you, have also spent some time in the private sector and I think there is much the public sector and the private sector can learn from each other. Given that, my question is, innovation and agile policy development relies on risk-taking and occasional failure by departments and their ministers. So how can ministers best support this in a political and media landscape which relies on 'gotcha' moments and characterises any changes in policy direction as backflips?

Prime Minister: Maree, that's an excellent question. Really you've put your finger on a very important issue. Again, I've addressed this before but I'll repeat what I've said before. We have to be very up-front, 'We' being the ministers. We've got to say, when we produce a new policy: 'This is the best policy solution we have available to us today. This is our best solution, our best idea if you like, and we've looked at it very carefully. But if it turns out to be deficient in some respects then we will change it. If it doesn't work at all, then we will dump it. If we find that somebody else is addressing the same problem better and more cost-effectively, then we will happily plagiarise them'. In other words, ultimately the obligation is to do the right thing by the Australian people.

What I've described, you may recall me making pretty much those remarks when we announced our innovation and science agenda and I know some of the Press Gallery found that a bit shocking. The reality is, this is how the real world operates. Every business is constantly calibrating whether the measures they have are working and if they don't work, they change them. Because they're driven by that strong KPI, that strong measure of the bottom line.

Of course the measures of success in public policy are more complex.

You're dead right; as a politician, where you're putting yourself in a position where any change of policy is seen as a backflip then of course that means that you become completely inflexible and you may end up defending something not because it's working but because it's a proposal that you had in the past. So agility and being very open about it is very important. What Australians need and demand from me as the Prime Minister, and my ministers, and from the government more broadly, including the APS, is that at any given time we are delivering the best policies we can put together, and we can afford to meet the problems that we face. That's our job. That is our job. That means that those policies will change and evolve in the light of experience.

The alternative is you never take a risk, you never change anything, and organisms that are not changing are dead. Let's be frank about that. So agility and responsiveness are absolutely critical and we should be very up-front about it. So thank you for that question.

Dr Parkinson: Thanks, PM. The next question is from Julia Landford at Foreign Affairs and Trade.

Ms Landford: Thank you very much. Good morning, Prime Minister. This question relates to women in leadership. There are now six women in your Cabinet and the Department of Foreign Affairs and Trade is taking a proactive approach to engaging women in leadership roles – including in the appointment of women to boards for the Department of Foreign Affairs and Trade – and I'd like to ask you what tangible strategies can be developed to further increase the number of women in leadership roles across the APS, and are you in favour of introducing targets to address this issue?

Prime Minister: I certainly am in favour of targets. I think that it's very important. If you have a target then you have to report on it. Then if you're missing the target, people will ask why and then you've got to examine why you've missed it and what you can do to change. There are a whole range of issues in this regard. I think one of the most important ones is to recognise the importance of role models and leadership and mentoring. The role model is enormously important and, as you know, as you said, we have six women in my Cabinet. We have Australia's first woman as Foreign Minister, first woman as Defence Minister.

'My government is determined to grasp the enormous opportunities presented by this time of rapid change and I expect nothing less from the Australian Public Service. The key to success for a 21st century APS is to embrace innovation and technology, to think big and bold, and to be committed to learning and leadership at every level.'

Now, without singling those two out – Julie and Marise – they are very powerful role models. They really are. Right at the top of those very important portfolios are very, very important role models. If you look at the strength of the leadership, for example, that Michaelia Cash has shown in the very challenging area of employment policy, and in particular with her advocacy over the Road Safety Remuneration Tribunal and the Australian Building and Construction Commission over the last few weeks, again that is a great role model, great leadership.

So I think there are many measures. We talked earlier about flexibility in workplaces. I guess you've got to step back as a leader, as a manager if you like, and ask yourself this question: 'What are we trying to achieve?'. Well, our goal is to have as close as possible to 50 per cent men and women in leadership positions. Let's say that is our target. Then we've got to say, 'What are we doing that is either calculated to or is having the effect of making the attainment of that target less likely?' and then you make those changes.

So you've got to start with your objective and then work through all of the measures that are likely to create barriers. It's a broad range but I just say mentoring, role models, flexibility are very, very important elements but there are obviously many others. And strong female leaders but also men have to be strong champions of change – that is absolutely critical too – and lead by example.

Dr Parkinson: Thank you, PM, that's music to my ears. We have some more questions but I'm conscious of the time and the Prime Minister has to get to another engagement. Prime Minister, I'd like to thank you for your time today. You can see the Public Service has turned out in droves, both physically and through streaming, to hear you speak and I think everybody will leave this session with much to consider.

Colleagues, the Prime Minister will be here for another few minutes. He's going to have a photograph with the secretaries at the front and then he will be available to take some other photographs very quickly. But before then, I'd like to thank Glenys Beauchamp and Drew Baker and IPAA ACT for hosting today's event. IPAA ACT, under Glenys's leadership and Drew's role as CEO, is doing an excellent job in supporting the Public Service community and I'd like to thank them on your behalf.

That brings an end to the formal proceedings for this morning. Thank you, Prime Minister, and thank you, colleagues, for joining us.

IPAA SECRETARY SERIES

NATIONAL PORTRAIT GALLERY
TUESDAY 10 MAY 2016

The Modern Public Service: An Empire of Rules or a Commonwealth of Ideas?

Michael Pezzullo

SECRETARY, DEPARTMENT OF
IMMIGRATION AND BORDER PROTECTION

'Be bold with your workforce plans so
that they match the goals of your organisation and
equip it to meet the challenges.'

Beneath the clinical, flat surface of bureaucratic language – with its terms such as 'outputs', 'outcomes' and 'deliverables' – lies the real world of human activity. A well-functioning modern state needs to operate in the real world, where the sick are treated, children are educated, roads and bridges are built, water and energy are provided, crimes are investigated, borders are protected, along with more besides. The modern state undertakes the core activities that are required for the performance of these functions, or arranges for and regulates their provision.

As public servants, we are engaged in activities that have real human impact, performing tasks which address human hopes, dreams, anxieties, fears – and which encompass the entire hierarchy of human needs, from survival and subsistence, to the life of the mind.

In his great book *Political Order and Political Decay*, Francis Fukuyama contends that political order is not solely concerned with the exercise of power by political parties, or the balance of powers – for instance, as between the executive, the legislature, and the judiciary. Nation-states can indeed possess all of the requisite formal features of the rule of law, and the separation of powers, and still be incapable of delivering basic public services.

As officers of the Australian Public Service (APS), we should be very proud of how we measure up in these terms. We contribute to the functioning of a well-ordered and administered society and economy, which coheres and prospers as a result.

Regrettably, our work is not always seen in such a light. The narrative of bureaucracy has a particular and indelible emplotment, or literary structure – namely, that of satire.

We are seen, unfairly you might say, as underwhelming 'pen-pushers', or masters of inaction. Now we're all familiar with the satire of *Yes, Minister* and *Yes, Prime Minister*, and in more recent years *The Hollowmen* and *Utopia*, and we tend to laugh when watching these satirical comedies because we recognise the familiar – that is indeed how satire works. Moreover, as someone once said, ministers and secretaries tend to laugh at different points in these shows, which further suggests that they are representing back to us something which we recognise as somehow ringing true, at least at some level.

Now the plotlines of these satires tend to play on recurring themes: 'bureaucracy' (and I use that term in inverted commas) is about process over content; the triumph of the tactical over the strategic; power games between ministers and officials or between agencies; the preservation or enhancement of position and privilege; the acquisition of resources and status; an aversion to risk – who could ever forget Sir Humphrey saying, 'That would be very courageous, Minister' – and, ultimately, a disconnection between the games of power as against a focus on content and purpose. These satires tend to play on the meaningless language of 'officialese', where bureaucratic rules and their manipulation conceal inaction, self-interest, and ineptitude.

This is no laughing matter, however. If we were to look at our recent history, we would have to accept that when read together, any number of recent reports of commissions of inquiry and external reviews, as well as the series of APS capability reviews, would suggest that there are some real issues at play here. These reports variously demonstrate, on occasion and to varying degrees, a lack of policy acumen; unhealthy risk aversion; the tight control of information and overly-centralised decision-making; information and power silos; the limited ownership by senior executives of strategic directions and decisions; a lack of innovation; a narrow focus on internal corporate issues as a substitute for a focus on organisational strategy – or, far more importantly, questions of national public policy. If you do not accept this thesis, or the evidence

for it, I would challenge you to read with an open mind the report recently prepared and released by Dr Peter Shergold, the former Secretary of the Department of the Prime Minister and Cabinet, on the failures involved in the design and delivery of the Home Insulation Program, which is entitled *Learning from Failure*.[1]

Dr Shergold found significant deficiencies in terms of the quality of advice and record-keeping; dysfunctional relationships between ministers and their staff on the one hand, and officials on the other; poor comprehension of risk and risk management, as well as program design and program management; and a general incapacity in relation to effective implementation and delivery.

Four young Australians died as a result of these failures. I'm very proud that the Secretaries Board, which is chaired by Dr Martin Parkinson, the current Secretary of the Department of the Prime Minister and Cabinet, has directly taken on the task of leading and overseeing the necessary remediation work. We need to do this: we owe it to the Australian community that we serve; the Government and the Parliament of the day; and ultimately in fact to ourselves, because we know that in our hearts we are better than this and we should strive to do better than this.

Now, are there deeper structural issues at play here? I contend that there are. I would argue that there are two great tendencies within the bureaucratic apparatus of the modern state: the tendency to rationalise and regulate human conduct through rules, and the tendency, on the other hand, to seek new ideas about how the state might best play its role in the improvement of the nation that it governs. For convenience sake, I will call the former tendency the 'empire of rules' and the latter tendency the 'commonwealth of ideas'. These tendencies can often be in tension and sometimes they can grind against each other like misaligned or damaged gears. We need both tendencies to be present in any bureaucratic system and we need to build a gearbox of state such that it does not grind.

Now a slightly theoretical insight, if I may, just momentarily to explain. I take these insights and I derive them from the work of the great sociologist and political scientist, Max Weber, who of course wrote at the end of the 19th century and the early 20th century about modern bureaucratic systems. He argued, after a lifetime of study of state formation over the ages, that the modern bureaucratic system that had emerged at the time was highly efficient and was the best in history because it worked impartially and impersonally – it worked objectively.

'A well-functioning modern state needs to operate in the real world, where the sick are treated, children are educated, roads and bridges are built, water and energy are provided, crimes are investigated, borders are protected …'

1 *Learning from Failure: why large government policy initiatives have gone so badly wrong in the past and how the chances of success in the future can be improved* (Australian Public Service Commission, 2015): http://www.apsc.gov.au/publications-and-media/current-publications/learning-from-failure

And he argued that the features of the modern bureaucratic administration – and this is 100 years ago, but I contend that these insights still pertain today – the features of the modern bureaucratic administration that make it so dominant in terms of effectiveness in world history are precision, continuity, repeatable performance and calculability of results, unity of direction and the alignment of goals and strategy, plans and activities, along with the creation of an auditable record of resultant actions.

However, he also argued – and this is 100 years ago – that the system could actually become too efficient and he famously talked about the 'iron cage' emerging over time of a rule-based model of rational control permeating all human affairs. For today's address, I will call this system in its purest form the 'empire of rules'. Ultimately, Weber argued, that value-oriented conduct, which is informed by moral calculation, political perspective and strategic vision, is required to oversee and mitigate the impersonal features of bureaucratic administration and its tendency to rule-based control of human affairs.

Now such a system which is geared and limited to administering an empire of rules, as I've labelled it, is never likely to meet the criteria for a fully functional state which exhibits capacity, capability, reach and impact. An empire of rules, with its clinical, flat focus on process, will always be the 'iron cage' of which Weber warned.

Now, like the two authors I have thus far quoted – Max Weber and Francis Fukuyama, and certainly I could probably associate Dr Shergold with these remarks as well so I'll add him to the group – I can certainly appreciate the importance of technical expertise and professional mastery, absolutely. When I'm sitting on a plane, I have to trust the technical competence of the flight crew, the maintainers, the air traffic controllers and indeed others.

In that moment, when I'm on that plane, I am assured by the existence of the 'empire of rules' around aviation and indeed it's an empire which ensures repeatable, consistent performance; quality assurance; and requisite credentialing.

However, no system is ever closed, nor solely improved by internal reflection and adjustment. The 'empire of rules' cannot shield itself behind the laws of process and technical language against the uncertainty, unpredictability and contingency of the world which is to be found beyond the limits of the empire. No meta-rule can be written within this empire to codify and negate shocks and disruption in the external environment, which is supposedly beyond the empire's limits – except it never really is.

We need, indeed, to subvert the very idea of a closed system, which in bureaucratic terms asks this question – this is the closed question: 'are we meeting our formal targets in terms of program management and service delivery?' A very valid question. In an open system, this should be the question: 'why should these targets represent what we measure and what we do?' What indeed should we be doing differently and what else should we measure in order to build a better Australia? No meta-rule can be written to codify the place in this empire of imagination, vision, instinct, foresight and ultimately policy value – which all go to the question of 'what does a better society look like and how do we build it?'

Where the 'empire of rules' is incurious, focused on process and seeks always to rationalise and order the world within its fixed system of rules, in the sense meant by Weber, the 'commonwealth of ideas', I would contend, is curious, engaged with the world and inherently always seeking to pivot, adjust and transform the rules and processes of state. Shocks in the environment are to be expected and represent opportunity. In managing an 'empire of rules', one is more likely to become detached from purpose; however, in the 'commonwealth of ideas', purpose and content are everything.

My colleague, our colleague Dr Martin Parkinson, Secretary of the Department of the Prime Minister and Cabinet, has illuminated our path in this regard in an excellent paper which I commend to you all which was published by Princeton University, by their Centre for Economic Policy Studies in September of 2015.[2]

In his paper, Dr Parkinson draws attention to a number of megatrends, which I won't deal with in any detail this morning other than to make the point I'm about to. But the four megatrends are the explosion of technology, issues around resource sustainability, demography and shifting geo-economic weight and the resultant new geo-political forces which are resulting in pressures on global governance.

For the purposes of this address, as worthy as each of these areas are of individual and specific attention, the key relevant point in Dr Parkinson's paper is that closed systems and structures, which are centrally organised with rigid modes of operation and limited openness to exterior forces, will not be able to adapt in this environment and in the face of these forces.

So, what is to be done? Today I would like to propose four concrete strategies to deal with the problem of the closed and incurious system which is inevitable feature of what I have labelled as the 'empire of rules'.

First, we need to invest in policy research and planning. Policy research and planning should not be an abstract endeavour which is unconnected to action. It should in fact animate everything that an agency does – strategy, program management, regulatory affairs, service delivery and field operations. Policy research and planning should be contestable, argumentative and anything but clinical and flat. It should challenge 'group think' and policy biases. Evidence for policy should be sought and tested, such that policy ideas are conceived imaginatively and then beaten against the anvil of reality through experimentation, survey, measurement and other forms of research. We need to be careful to avoid, however, creating the impression that this process is analogous or indeed identical to the discovery method of the natural sciences. Policy research and planning involves a constant play of vision, values, imagination and indeed normative assumptions.

2 *The Lucky Country: Has it Run out of Luck?* by Dr Martin Parkinson PSM. Griswold Center for Economic Policy Studies Working Paper No. 247, September 2015: https://www.princeton.edu/ceps/workingpapers/247parkinson.pdf

I recently finished reading the first volume of Niall Ferguson's magnificent biography of Henry Kissinger, entitled *Kissinger: 1923–1968: The Idealist*. This was the period of Kissinger's life up to but before he took up his appointment as President Nixon's national security advisor. The relevance of that insight is as follows. Kissinger was highly critical of US foreign policy and national security decision-making prior to his entry into the White House. He saw it as possessing neither rationality nor consistency. He argued in various academic papers and in other insights, that the day-to-day operation of the machine of US foreign policy absorbed senior executive attention and energy. Decisions were avoided until they appeared as administrative conflicts within the inter-agency machine, which required attention and the establishment of consensus. Senior executives did not have the time or the inclination to become involved in planning, which necessarily involves conjectures about the future and the consideration of hypothetical cases.

Against this orthodoxy, Kissinger contended that conjecture in foreign policy is indeed central and the practice of foreign policy and national security requires an ability to project beyond what is known, with often very little to guide policy-makers except their convictions, policy skills and historical perspective. Kissinger argued that the 'spirit of policy' and that of bureaucracy are indeed diametrically opposed insofar as the essence of policy is its contingency, whereas that of bureaucracy is its quest of certainty and closure. Absent a coherent policy framework, bureaucratic activity could sometimes be mistaken for meaningful action, which has to have impact in the real world and on the unfolding historical process with which policy is concerned. And, indeed, Kissinger argued strongly for the power of ideas and a guiding conception to inform the visible plays of diplomacy. And he often remarked, in so arguing, that orderly procedure is not the chief purpose of government, but its indispensable aid.

I'm very pleased that my Department has responded very positively and enthusiastically to the challenge that the Australia Border Force Commissioner and I have presented it of engaging afresh in policy research and planning. We're undertaking a very ambitious program in terms of generating new thinking about borders, trade, travel, migration and maritime security – drawing together internal research and policy development, as well as external work which has been done in partnership with bodies such as the Australian Strategic Policy Institute, the Lowy Institute for International Policy, the Australian National University, the CSIRO, amongst others.

Second, moving beyond policy, research and planning. Ensure that you understand your past. Invest in cultivating institutional memory and historical perspective. Now, of course, what is happening today, or that which is yet to occur, has not happened before – but it is built and will be built upon the foundations of what has occurred before. The future stands on the building blocks of history, and the latter contains clues, analogies, patterns and sometimes an eerie foreboding of what is to come. A longer term perspective helps us to gain our bearings from the past in relation to emerging trends or issues. Knowing the history of a policy field adds depth and perspective to our comprehension of the choices that we face.

Now I do not mean by this institutional sentimentality or an overly reverential sense of memory and history. We have to avoid what I term as the 'coffee table book' or 'memorabilia' view of institutional memory and history. I find, frankly, when I'm challenged as I sometimes am about the so-called loss of institutional memory in the former Department of Immigration, I discover – once I unpack the charge and look at it closely – that I'm sometimes, not always, dealing with lore – 'L-O-R-E' – nostalgia and sentiment rather than a detached and strategically useful institutional memory which might usefully illuminate which and what of the former glories might be adapted and modernised for the challenges of today and tomorrow.

'We should insist on effective communication. In all of our work we should reject jargon, imprecision, hackneyed phrasing, woolly terms, padding, and unclear thinking and language. All of our work requires clear, crisp, meaningful and expressive communication.'

Now let me be very clear on this point. Long tenure in an agency certainly engenders a deep and fine-grained understanding of how an organisation operates and makes decisions, what are its informal power and authority structures, and who are the key influences. This is knowledge that is borne of rich experience and is of significant intangible value. And indeed, often the highest performing members of teams tend to have this rich institutional knowledge base. However, long tenure can also sometimes – and I stress sometimes – bring with it disengagement, a sense of entitlement and even cynicism. We have to strike a balance: how best to move on the unmotivated and the underperformers, consistent with fair process and human dignity? How do we extract the considerable value and knowledge that long-serving officers possess, even in cases where they might not be as motivated to perform as energetically as they might once have been? And indeed – and this is the sweet spot – how do we provide long-serving officers with a chance to 'relaunch' themselves with new skills and professional personal capabilities?

I should say this in regard that I largely agree with Laura Tingle, who wrote in her recent *Quarterly Essay*, 'Political Amnesia: How We Forgot to Govern', that the loss of corporate memory – and I'm limiting these remarks to the public service rather than to our parliamentarians or to the media, so these remarks are limited to the public service – the loss of corporate memory, amongst other things, could become a threat to good policy-making. I do not agree that this has occurred in my Department, especially where the new thinking about borders, migration, trade, travel and labour mobility, amongst other things, is coming as much from officers with backgrounds in strategy, diplomacy, intelligence, law enforcement and much more besides, as it is from officers with longstanding and highly-valued Immigration or Customs pedigrees. In our case, the magic is starting to occur where we have blended the knowledge and experience of those long-serving officers with the new insights and skills that more recent arrivals have brought with them.

Third. Be bold with your workforce plans so that they match the goals of your organisation and equip it to meet the challenges that I'm outlining today. I touched on this a moment ago in the discussion about long-serving officers and how they should be valued and invested in. Indeed, I would argue we need to rethink the idea of the generalist public servant. As external forces radically impact the way in which government services are delivered, as contestability puts in doubt whether traditional delivery models make any sense at all, and as government re-invents itself constantly in this era of global disruption and transformation, in the ways outlined by Dr Parkinson in his Princeton paper, it is not easy indeed to see how the generalist public servant will be able to maintain the requisite level of skills and subject matter expertise to keep up.

Now I'm not speaking here of career vocational streams such as policing, nursing and military employment categories. These vocational areas tend to have very well developed professionalisation models, with structured learning and development systems and active career management processes. For instance, the posting cycle in the armed services.

I'm speaking of the generalist, who will have often worked in the one department or agency for their whole career, with largely 'on-the-job' credentials. We need to respect and invest in such staff, capitalising on their rich experience and local knowledge, while challenging them respectfully to consider new opportunities to learn, develop and grow. Mobility is a very good thing, especially mobility across departments and agencies. We should not see this as 'disloyalty' somehow to the institution – and indeed I would argue there is no such loyalty. We should only have a loyalty to serving the Commonwealth of Australia.

I should like to spend a few moments speaking about the Executive Level officers of the APS. These officers, and there are many I'm sure in the room today, are the critical layer of leadership and management which connects the strategic leadership of the department and the teams which undertake the local work. The day-to-day business of public administration occurs here.

'There are two great tendencies within the bureaucratic apparatus of the modern state: the tendency to rationalise and regulate human conduct through rules, and the tendency to seek new ideas about how the state might best play its role in the improvement of the nation that it governs.'

We are undertaking, in my Department, an EL leadership capability assessment to ensure that our EL officers are equipped with the leadership capabilities and the skills required to perform this role. And we're also at the same time examining EL spans of control and work value, as well as sub-branch team structures and functional accountabilities.

As our work changes in the Australian Public Service, with the introduction of greater levels of technology, data fusion, predictive analytical systems connected to enterprise level information and the like, we will need to see the emergence of the new Executive Level officer who can translate strategic contexts into local context and work priorities, who understands new technologies and associated business processes, and, above all, who will lead teams where increasingly 'digitally native' younger staff will often be more technically proficient than their bosses. This will require an ability on the part of our new Executive Level officers to comprehend and solve complex problems, an intellectual attitude which is informed by curiosity and inquisitiveness, and which is willing to reach out to new information sources and analytical models, and an emotional attitude which is more akin to that of a coach or a film director who can bring together diverse talents, forge a team, and who knows and understands people – including when to get them focused and when to leave them be, when to nurture and when to counsel, and where, if necessary, to warn. We need to equip our Executive Level officers with the skills to do this, and then we need to support them as they go about their onerous leadership and management duties.

Fourth and last. Because our work is so reliant on effective communication, we should insist on the latter. We should insist on effective communication. In all of our work we should reject jargon, imprecision, hackneyed phrasing, woolly terms, padding, and unclear thinking and language.

All of our work requires clear, crisp, meaningful and expressive communication. Written and oral communication should be clear as to the following: How does what is being proposed flow logically from first principles? What are the relevant facts and relevant evidence? What analysis has been done? Which courses of action have been considered? Which is favoured of those courses and why? Clear language should reveal all of this, and it should be insisted upon.

Management-speak saps and debases meaning. It is inert. It does not animate the things of which it purportedly speaks. In management-speak, the concrete melts in the abstract. The most devastating critique of this phenomenon remains George Orwell's essay 'Politics and the English Language', first published in 1946. If you have never read it, please take the time. It is quite short – perhaps two cups of coffee at most. Read it and ask yourself honestly if your writing and your use of language meets the test.

Public service writing should be clear and direct, active and accountable. Sentences should be action-oriented, lush with verbs. We should use doing words because we are doers, or we should be. The active voice should be the grammatical standard: 'I decided', rather than 'it was decided'. Insist on your staff writing competently, succinctly and accurately. Frankly, any competent officer in the APS should be able to draft a cogent and logical paper of around, let's say, 2,000 words without seeking the text and template of what was prepared before. Regrettably, too often staff papers are a pedestrian and ill-thought out mash of cut-and-paste sections of pre-existing text, which may or may not be relevant to the issue. Words and meaning often part company in such taped-together, textual wrecks. Sadly, too many senior officers end up spending far too much time, often late at night, re-writing such sloppy fare. There are exceptions, but they are too few.

'Where the "empire of rules"' is incurious, focused on process and seeks always to rationalise and order the world within its fixed system of rules, … the "commonwealth of ideas" is curious, engaged with the world and inherently always seeking to pivot, adjust and transform the rules and processes of state.'

Winston Churchill, at the height of the Battle of Britain in August 1940, issued guidelines such as these to senior officers and staff. He observed that the discipline of clear writing saved time. When meaning was clear on the papers, energy and attention could be focused on the merit of the different options before decision-makers. Clear writing, he said, required the discipline of setting out concisely the real points of any given issue, and so it was an indispensable aid to clear thinking. If it was good enough to insist on clear thinking and clear writing during the Battle of Britain, then it should be good enough for us.

I will give a very brief exposition of what we were doing in the Department which bears out these themes. Our reform program recognises that we have truly entered an era of global mobility and movement as the world becomes ever more connected through the forces known as 'globalisation' – whereby travel, business, trade, investment, study, work and leisure, and so much more besides, are being organised on a global scale.

The Department in its new guise, which has been in its current form since 1 July 2015 – so we're coming up to our first anniversary as an integrated Department – is contributing to Australia's prosperity and social coherence in three distinct but interconnected ways. We are contributing to today's form of nation-building with a modern day pursuit of what I label the 'spirit of 1945' – the spirit of when the Department was first set up in the aftermath of the Second World War – but with a very different aim. Instead of seeking out the migrants to create the families of tomorrow, today we focus on seeking out those who wish to come to our country for different time periods and for different purposes, with a focus on migrants with skills who can add to innovation and productivity, as well as of course tourists and students. The visa and citizenship systems that we will build through our reform program will be as monumental and epoch-shaping as the post-war migration program was that is so well-known and deeply ingrained in our society and culture.

Second, we're building a border management and protection system which can cope with the rapidly growing volumes of visitors and migrants and goods – trend lines which will only continue to increase as the world shrinks and as Australia's global linkages broaden and deepen. Our ability to achieve this will be critically dependent on our best asset – our people – being supported by ever improving capabilities, such as real-time data fusion, information sharing with intelligence and law enforcement partners, biometrics, and intelligence-based targeting of high-risk border movements. We will need to be prepared to operate more like other large-scale, high-volume enterprises dealing with masses of data, processing transactions rapidly in its scale and using advanced techniques and technologies to discover and deal with risk.

Third, we are a vital contributor to Australia's role as a global citizen through our refugee and humanitarian programs, and through our contribution to new thinking about how best to effect international protection strategies for those fleeing persecution. There is more to be said about all of these matters, but at a different time and in a different place.

I will conclude my remarks on the issue of the giving of advice. As a Secretary, I need to be focused on this issue every day. Today's advice is always going to be contestable – as between departments; with advisors in ministerial offices; and with research think tanks, academia, consultants, advocacy groups, industry groups and other sundry experts. This is not a bad thing. Drawing on diverse opinions and views is a good thing, which is conducive to the open thinking and the 'commonwealth of ideas' of which I have spoken today.

When we look back on the so-called golden era of the post-war 'age of the mandarin', we see, at least in the legend, secretaries who used to run their departments rather fiercely, probably of the type lampooned in *Yes, Minister*. They tended to be the sole advisors to government. The private sector largely did not generate independent knowledge through consultancies and the like.

Used to having a clear monopoly on advice, one wonders how some of these gentlemen – and yes, they were all men – would've gone in today's age of the 24/7 media cycle and the era of highly contested advice. In today's environment, the role of the secretary is not to hem or constrain a supposedly 'courageous minister', as in the satirised stereotype of the wily mandarin who does everything to protect the department by creating false choices for ministers, or elegant paper trails which are engineered to deflect or sandbag. Today, we have to be completely conscious of the fact that our advice is going to be impacted, and properly so, by contested views. This is to be embraced and seen as the opportunity that it truly is.

And so we end this journey in the heart of the 'commonwealth of ideas'. Open thinking will be increasingly necessary as we face the challenges ahead. Policy biases will need to be subverted and new thinking embraced. We cannot afford to be parochial and self-referential in our work. We have to embrace best practice globally, and not just in our portfolio lanes. We have to build and nurture policy capability. We have to cultivate and draw on institutional knowledge while avoiding the sentimentality of institutional lore – 'L-O-R-E'. We have to be bold in terms of making the necessary changes to our workforce model and practices while being always respectful of fair process and dignified treatment for all. We should insist on clear and expressive communication, where clear writing reflects clear thinking.

Above all, while rules, procedures and processes will always have their place, and will always be central to the effective and efficient functioning of our society and our economy, the 'empire of rules' that we have built in the past can never be a substitute for the focus that we will need to bring in the new 'commonwealth of ideas' – a focus on the real world, the one that lies beyond the limits of rules and procedures, and indeed, beyond the 'iron cage' of a clinical and flat bureaucratised world.

Thank you very much.


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IPAA SECRETARY SERIES

NATIONAL PORTRAIT GALLERY
THURSDAY 9 JUNE 2016

Parting Reflections

Peter N Varghese AO

SECRETARY, DEPARTMENT OF
FOREIGN AFFAIRS AND TRADE

'Leadership is what links values with function and purpose. And central to leadership is a capacity to set out a vision.'

Let me begin by thanking IPAA for its invitation to ruminate. And also to acknowledge the great work that IPAA does to bring to a broader audience the big issues in public policy and public administration in Australia.

I am an accidental public servant. It was not a career that I had planned or to which I had aspired. When I joined the Australian Public Service under the Administrative Trainee Scheme in 1978 I knew very little about the public service, and the term public policy was not even in my vocabulary. I drifted into the Australian Public Service, largely because I had limited other options.

As it turned out there could have been no better option; no more rewarding a career and nothing more stimulating than the challenges of public policy, particularly in my chosen area of foreign policy.

Shortly I will end over 38 years as a public servant. It might be presumptuous to draw lessons from this career, much less offer advice to the next generation of public service leaders, who will face challenges all of their own. But I do want to say something about the Public Service as an institution, why the Public Service matters, the large challenges it faces and why our future will be poorer if they are not met.

I also wish to say a few words about how change in the Public Service is managed. How should Secretaries go about instituting change? How important are values? How do you make change stick?

My remarks necessarily go also to observations about our political system. So let me say at the outset, because we are in the Caretaker period before an election, that nothing I say today should be seen as a commentary on the election, or on the position or performance of any individual or political party. Indeed, one of the points I wish to emphasise is the need to move away from the tyranny of the current. I hope my remarks will be seen as having a longer shelf life!

THE IMPORTANCE OF INSTITUTIONS

The case for the Public Service and public servants is not an easy one to make in Australia. The Australian community is ambivalent about public servants. On the one hand they are seen as rules bound, enjoying overly generous conditions and not particularly energetic. On the other hand, Australians expect a lot from government, perhaps because we began our nationhood as a government enterprise.

We do not have America's sometimes harsh tradition of individual self-reliance. And thankfully, we have never accepted that the disadvantaged are part of the natural order.

'The case for the public service and public servants is not an easy one to make in Australia. The Australian community is ambivalent about public servants.'

Our convict history has deepened this ambivalence towards government. Australians both resent authority and are among the most law abiding people anywhere. When it comes to government, we tend to both complain and obey.

Perhaps because we inherited our public institutions rather than created them, we have not always appreciated just how important institutions are to good governance. And in turn how good governance is the foundation for the prosperity and security of a nation. Indeed, to make the case for the public service is to make the case for institutions.

In the public imagination institutions are seen as belonging to the past and a repository of stuffy traditions. In truth, institutions are fragile living organisms, easily weakened and very hard to repair. Governments forget this to the long term peril of their nations.

We take sound institutions for granted. And yet they are the bedrock of our society.

The parliament, the judiciary and the executive are the anchor points of our liberal democracy. So are cabinet government, a free media, empowered citizens, and respect for the market as the most efficient means to allocate resources under a regulatory system which protects public safety and the public interest.

These are the institutional touch stones of a successful nation and an effective public service is vital to securing that success.

THE RELATIONSHIP BETWEEN MINISTERS AND PUBLIC SERVANTS

What makes a strong public service in a liberal democracy? I would emphasise two key elements.

First, a clear understanding of the division of labour and authority between the public servant and the minister.

Knowing the division of authority between ministers and public servants also means knowing when to protect the boundaries.

Ministers should know and respect these boundaries and most of the time they do both. Ministerial staffers can sometimes have a less well developed understanding of the boundaries. Usually, there is a direct correlation between the age of the staffer and the depth of his or her understanding.

The ultimate responsibility for ensuring that the public service does not cross the line however rests with public servants and particularly their leaders.

I have little sympathy for public servants who say they crossed the line because of pressure from a minister or a staffer. Their duty as a public servant is to know where the line is and ensure they stay on the right side of it. And the absolute duty of a Secretary is to ensure that whenever this becomes an issue, the public servant will have the full support of the Secretary in protecting the line – and that the public servant knows in advance that he or she enjoys that support.

'Over the last decade we have seen a significant shift towards implementation and service delivery at the cost of policy work and also a narrower bandwidth when it comes to the time senior public servants have to wrestle with complex policy issues.'

There is, for example, no room in our system for staffers to ask for a submission to be withdrawn or to insist on a particular recommendation in a departmental submission. Or to ask to see a submission in draft. These should be no go areas and all public servants should have the confidence of knowing that when they resist such approaches, they will be fully backed up by their departmental leaders.

We have been fortunate that since Federation we have had a high quality Commonwealth public service working to governments which have for the most part understood and respected these foundational principles. It has also been an adaptive public service which, while it may no longer look like the classic Westminster model, still retains the basic ethos and the ethics of that system.

I do not subscribe to the view that our public service has become politicised, if by that we mean that the institution has been subordinated to a partisan political agenda, as opposed to the fundamental requirement to serve the government of the day impartially.

That said, retaining an apolitical public service is not helped by the disturbing trend for incoming governments to sack some Secretaries. The more often this happens the easier it becomes. It is highly corrosive of the culture of impartial service which is essential to an effective public service. And what signal does it send to serving Secretaries, many still in their forties or early fifties, who look to a renewal of their contracts? We may never go back to it, but there was a reason why Secretaries used to be permanent heads.

Politics of course infuses government and it is absurd to pretend that senior public servants can ignore politics. But this is very different to saying that senior public servants must inevitably play politics.

A Secretary must be aware of the broader context in which his or her advice will be received. That context includes the political context. It is one of several variables which will shape decisions taken by ministers.

It is entirely legitimate for a Secretary to weigh up how political considerations may shape the thinking of a Minister because, at the end of the day, advice has to recommend a practical and workable way forward. But it is not the job of a Secretary to tailor advice to suit a political agenda. And it is unwise for a Secretary to second guess political calls. That is neither our job and nor are we much good at it. We should leave that to ministers.

My second point is that a division of responsibility should not crowd out the opportunity for partnership. Government is not a simple question of ministers making policy and public servants implementing policy and delivering services.

Good policy making is a partnership between ministers and the public service. A public servant should always be thinking about how to improve policy settings. Sure, the final decision on policy rests with the minister or with Cabinet. But departments should be diligent in serving up to ministers deep analysis of policy challenges and options for dealing with them.

In DFAT, we have sought to go further. I encourage colleagues to 'falsify' policy. This is an idea shamelessly stolen from Karl Popper who famously argued that knowledge is advanced when we can falsify a prevailing paradigm. What this means for DFAT is that we should always be privately testing our policy assumptions: are our starting points correct; does the rhetoric stand up to reality; is the policy working; can it be improved?

THE IMPORTANCE OF DEEP POLICY THINKING

Deep policy thinking is an area where our system, at both the political and the public service levels, has struggled over the last decade.

It is becoming harder for the political leadership to think deeply about new policy approaches. This means that governments come to power with headline policy positions, often without the backup of detailed policy analysis. Once in government they look to the public service to fill in the gaps.

The Public Service meanwhile has itself lost depth when it comes to policy thinking. And so we have had the two systems, political and bureaucratic, talking past each other and each nursing a quiet disappointment with the other.

I am not sure how we have ended up here. It may be that the relentless demands of the 24 hour news cycle and the technology of instant around the clock communication have fundamentally altered the attention span of our political and bureaucratic cultures.

Technology has changed more than the rhythms of our life. It has made us more connected but it has also truncated our thinking time. It puts a premium on an immediate response, on tasks and information, but not on reflection. Too often we are handcuffed to our i-phones, preoccupied with responding instantly to texts and constantly looking for the next message.

I fear that the combination of a relentless news cycle, social media that can often distort the centre of gravity of a policy issue, and the technology of instant connectedness, has weakened our capacity to reflect and to think deeply.

Not all will agree with this judgement. Some may argue that we are struggling more today because the magnitude of the policy challenges are greater than we have faced before. Or that we are merely in a period of transition and have yet to work out how to balance the tyranny of the current with the need for long term thinking.

In relation to the Public Service other factors have also been in play. Over the last decade we have seen a significant shift towards implementation and service delivery at the cost of policy work and also a narrower bandwidth when it comes to the time senior public servants have to wrestle with complex policy issues. In other words, the more reactive political environment has also rejigged the focus of the public service, because ultimately the focus of the public service reflects the focus of the government.

This, I should add, is not the voice of nostalgia. The appeal of the short term is not new to our political system. Nor do I suggest that there was a halcyon time when governments always thought long term and came to office with carefully thought out strategies. All governments struggle with competing pressures and none can long afford the luxury of policy purity.

Perhaps, we are also placing impossible demands on our current political leaders. Do we expect an Australian Prime Minister to fit the tongue-in-cheek demands that James Fallows once listed for the President of the United States:

> A president needs to be confident but not arrogant; open-minded but not a weather vane; resolute but still adaptable; historically minded but highly alert to the present; visionary but practical; personally disciplined but not a prig or martinet. He should be physically fit, disease resistant, and capable of being fully alert at a moment's notice when the phone rings at 3am – yet also able to sleep each night, despite unremitting tension and without chemical aids.

But, wherever we strike the level of reasonable expectations, it does seem to me that the process of long term thinking – and rallying public consent for hard decisions – has become much harder.

However we got here we must find a way out. We must rebuild, at both the political and the public service levels, a capacity for deep policy thinking because without it we will not be able to chart our way through the many economic and other challenges we face as a nation.

And nor can we delegate this work to think tanks, useful though their contribution can be. Good policy making is an iterative process. It involves testing assumptions and teasing out options. It is best done through a close partnership between ministers and their public servants.

I suspect regaining policy depth might prove to be easier to do in the Public Service than in politics. I say this because I think the public service leadership today recognises the challenge and that is the first step to recovery. I do not know that our political culture has reached the same point of acceptance.

Recovering the capacity for deep policy analysis is urgent because we are at an inflection point in our history. It is not dissimilar to the period after the second world war when the nation had to set out in a new direction and when the political and public service leaderships worked so well together to chart that direction. Or the period from the early eighties when we set out to internationalise the Australian economy; or the nineties when tax and industrial relations policies had to be redefined.

We should keep in mind Lord Salisbury's pithy observation:

> The axioms of the last age are the fallacies of the present, the principles which save one generation may be the ruin of the next.

Today we may be at such a point. We face an anaemic global economy. Enhancing productivity is proving difficult. We need to reposition Australia to take advantage of the services demand of the rising Asian middle class. We face an Indo Pacific strategic environment which is being rearranged as economic weight is redistributed. And the Asian growth story is itself perched at a transition point, dependent on politically hard structural reforms in the larger Asian economies to keep it going.

'This is a big challenge but we should not be daunted by it. The public service needs to shift gears and sharpen up but it does not need to reinvent itself.'

All of these trends have large implications for Australia and Australian public policy. They require deep analysis and a sure footed sense of what we need to do to adapt to a very different regional and global outlook. And that requires strong policy leadership from government and the public service.

This is a big challenge but we should not be daunted by it. The public service needs to shift gears and sharpen up but it does not need to reinvent itself.

THE CASE FOR RADICAL INCREMENTALISM

If I were to give one piece of advice to the next generation of public service leaders it would be to advocate the virtues of radical incrementalism.

In my experience the language of change is often too evangelical, replete with platitudes about change being a constant, with analogies of burning platforms and with dire warnings of Armageddon if we do not reinvent ourselves.

Yes, we in the public service have to embrace change, look for new ways of doing old things, be nimble enough to deal with an international environment which will always surprise, and a domestic budget which will inevitably place more pressures on us.

But we will get there not by radically reinventing ourselves but by working with the grain of our organisation: setting ambitious but achievable goals, articulating sound principles and understanding our strengths and weaknesses.

The only sustainable change is change that is understood and then accepted. Public service leaders who want to begin by overturning everything may be able to point to big early changes. But lasting change can only come when it is embedded in the culture of the organisation. And that takes persuasion and vision and the hard yards of incremental improvements in pursuit of a bigger agenda.

That is why I am a convert to radical incrementalism. It is radical in that it sets out a clear vision, clear principles, clear values. And it is incremental because it recognises that translating vision into reality requires a series of smaller steps. Great leaps forward usually end in tragedy.

History teaches us that messianic leaders have been the biggest cause of human suffering. Certainty can be a great strength but it can also blind us. If we want to change an organisation we have to be prepared to recognise failure; to acknowledge that some changes have not worked and should be abandoned. The public service should not be shy of trial and error.

That is why public service leaders need to encourage more risk taking. Not 'crazy brave' risk taking but risks which have been carefully studied and then launched. And once launched, public service leaders need to stand by those who may fail. Ministers also need to back them because abandoning someone who took a reasonable risk is the surest way of ensuring a public service culture rooted in precedent and incapable of finding fresh approaches.

I have made the case for radical incrementalism in the public service. But I think the argument also applies to our broader politics.

Transformational reform is getting harder and harder. The politics of big bang changes has been cramped by the press of media scrutiny, the distorted prism of social media, and the amplification of complaint from those whose interests are adversely affected.


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'Australia has a history of strong cabinet government which is crucial to promoting the public good.'

But if big bang reform through large steps is no longer possible, transformation through small steps is and in any event is probably a better fit with our current political culture.

Small steps only work as a strategy however if the ultimate objective is clear and genuinely transformational. This is the essence of radical incrementalism. And it is not to be confused with its evil twin, ad hoc incrementalism, which are small steps taken in the absence of a broader change agenda. The latter is taking up too much space in our political and bureaucratic cultures.

VALUES AND LEADERSHIP

Whichever way we approach change it needs to be with the compass of clearly articulated values.

Values matter. They are the basic principles that influence our thinking, our judgement and the way we behave. Values help us determine what is right or wrong, good or bad, professional or unprofessional.

They shape how we see ourselves and how we are perceived by others. That is why the APS code of conduct and values are so important to everything we do in the public service.

They need to be championed and defended.

Success in any organisation will be determined by the extent to which it enacts these values and that includes not turning a blind eye when they are ignored or breached.

There is nothing more corrosive to the values of an organisation than when colleagues observe that breaching them carries no cost or, worse still, does not exclude reward.

As an aside I should say that values haven't always been closely associated with foreign ministries.

Tallyrand, the master diplomat of 19th century France, had some fixed ideas about what values his foreign ministry officials needed.

In describing French foreign ministry officials to his successor he said:

> You will find them loyal, intelligent, accurate and punctual but, thanks to my training, not at all zealous… except for a few of the junior clerks who, I am afraid, close up their envelopes with a certain amount of precipitation, everyone here maintains the greatest calm. Hurry and bustle are unknown.

Tallyrand, let me emphasise, spoke of an earlier era of foreign ministries.

If values are the bedrock of an institution, leadership is what links values with function and purpose. And central to leadership is a capacity to set out a vision.

Now what George Bush Senior once called the 'vision thing' is clearly important. But it is only part of the picture.

Nelson Mandela said this about vision:

> Vision without action is merely a dream. Action without vision is merely passing time. Vision with action can change the world.

There is a place for poetry in defining a vision. But in my experience the best visions are written in both poetry and prose.

SOME VALEDICTORY ADVICE

So let me conclude with some valedictory advice – unasked for and freely offered – to the next generation of public servants.

First, public service and public policy matter because they put the interest of the community and the nation first. Other professions invariably have a narrower focus. And no other profession is as capable of achieving lasting change for the better, or the greatest good for the greatest number.

Second, understand the value of institutions and their inherent fragility. The best way to defend institutions is to appreciate their foundational principles and to be true to them. And leaders of the public service have a particular duty to stand by their junior colleagues when they may be pressured to act contrary to those principles.

Third, governance is a partnership between political leaders and public servants. It should never be a partisan partnership. But it does require public servants to understand the political context within which all leadership must operate. And it requires politicians to know and respect the boundaries between politics and the public service.

Fourth, policy making is a serious business. It should draw on evidence but it should also flow from a deep and broad understanding of our country and its history. Silos may work in agriculture but they are corrosive to good government.

Australia has a history of strong Cabinet government which is crucial to promoting the public good. A robust Cabinet system matters because the public square is an ecosystem: everything is connected to everything else. A change in one area creates consequences in other areas. As I have noted in another context, the grammar of chaos theory finds a distinct echo in public policy, even if charting the chain of consequences is more art than science.

And finally and very importantly, public service can be a lot of fun. Teddy Roosevelt once said that life's greatest good fortune is to work hard at work worth doing.

By that measure, I count my time in public service as a most fortunate life.


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TUESDAY 21 JUNE 2016

Leadership within the Australian Public Service

Martin Bowles PSM

SECRETARY, DEPARTMENT OF HEALTH

'Invest in people, understand what their skills are, understand where they're best placed, and anything can happen.'

Firstly, can I also acknowledge the traditional custodians of the land on which we meet today, and pay my respects to elders past and present. Can I also acknowledge any Aboriginal and Torres Strait Islander people with us today. And again, we do this obviously as a mark of respect, but also recognition, and I think it reminds us of our past, our histories, and reminds us of the diversity of our community. And I suppose that's where I really want to take today's talk.

I want to start with Health, and I want to talk about reform, but what I want to do then is take a little bit of a wander through my journey over the last while to try and give you some anecdotes and some little things that have happened to me that have probably made me what I am today, that then really brings it all back to what I see as one of the most critical things in the APS today, and that is leadership within the public service more broadly, but leadership within our organisations, and I'm not talking about secretaries. I'm talking about organisational leadership at all levels.

So I want to take a bit of a journey around that, and I believe embracing and respecting diversity and what I will call, quite often, 'difference' within our organisations. I see that as one of the most vital things for the public service going forward. I think what we need to do over the next little while, as a group of secretaries to start with, is to really start to lift ourselves up and out around this notion of difference and diversity in the public service, if we are truly going to make a difference.

So let me just start with Health. I took up this job in October 2014, and I want to have a bit of a wander through what I think are some of the future issues that we're grappling with, and then take you through, as I said before, some of the experiences that I've had that have led me to the approach that I've taken in Health. So where are we today?

The health system is probably one of the most complex policy spaces in government. It goes all over the place, and I'll touch on some of those in a minute. We sometimes talk about the health system. The reality is, it's probably not one system – it's many systems. A lot of interdependencies though, and we sometimes forget, if we poke one part of it, it pops out somewhere else. There is a constant divide between primary care, acute care, mental health, public, private, state and Commonwealth.

We've got this very, very complex landscape that doesn't lend itself easily, I believe, to having one system.

If we think about health in a different way, health is roughly ten per cent of the economy. It spends 9.8 per cent of GDP. It's about 13 per cent, or a bit over 13 per cent, of the workforce in this country and my department spends about 20 per cent of the Commonwealth budget. So that is a reasonably large bucket of money. Our expenditure on health and aged care this year will be roughly $90 billion. So it's pretty challenging, when you are faced with all of those sorts of issues and you really do need to think about, 'how do we deal with sustainability of health in this country?' We are in caretaker mode at the moment, so clearly I'm not going to go into some of those more controversial issues.

However, we have a system that has to confront sustainability at some stage. I think we have many, many challenges out there with this system. We have chronic and complex disease rising at rapid rates, where we see 20 per cent of the population have two or more chronic diseases – some as many as 15, and these people are really high cost patients to the system. We also have an ageing population, and most people think that's probably the biggest cost driver in our system – well in fact it's not. Technology growth is the biggest driver of cost in the system at the moment. And the last real driver, and I think which sort of encapsulates a lot of things, has been consumer expectations. We all want more. We all want to be healthy. We all want to actually have someone help us to be healthy.

We don't always have that mutual responsibility gene in us; occasionally, we just think it should happen to us.

So it's a recipe for unsustainability if we don't get some of this agenda right. I look at the department today, and I think, we're in a reasonably good shape. But we've had to do a lot of work. We've had to actually shift our thinking from being quite tactical and programmatic to what I call strategic and policy driven. Because if we don't create what I also call the 'garden bed of ideas', where are they going to come from?

We are the Health Department, and, as some people sometimes point out, 'we don't run any hospitals' and we don't own any hospital beds. That's not true, because we have Mercy Hospital in Tasmania, but I won't go there.

So therefore, what is our job, if it is not being that hotbed of ideas about creating a health system that will benefit the Australian community? So I've run quite hard on this notion of moving from a tactical to a strategic policy space, because otherwise, you know, everyone's got an idea on health. A lot of them are good, a lot of them are not so good. A lot of them are crazy. So somebody, or some organisation, and I believe it is my department, needs to be able to step up and do that.

I also wanted an organisation that is empowered to make decisions, empowered to think differently, to challenge the norms that are out there, and to start to really understand there are many health systems with interdependencies that we need to start to create that single, united if you like, health system. So when we make decisions in the primary care space, we understand the impact on the hospitals. When we make a decision in the public sector, we understand the impact in the private sector, and so on and so forth.

I've spent a lot of time dealing with the states and territories, and that's never easy. The good thing is, I've worked within the states. I've worked in Queensland Health and New South Wales Health. They try and tell me a lot of things from time to time, and I say, 'well that's interesting. It must have changed since I was there'. The great debate of cost shifting between the state and the Commonwealth, I said, 'well you're not going to tell me anything, I was a master at that sort of stuff'.

So it is an interesting position that I've found myself in, after spending quite a deal of time fronting hospitals and health services in both Queensland and New South Wales.

'Team is fundamental. If you can build the skills, if you can develop people, and you can trust people, they'll go to the ends of the earth for you, and they'll back you when things are tight … . Trust becomes quite critical.'

So, how do we actually move to that? Well firstly, we actually needed to create the notion that we were thinking about strategic policy and innovation. And that's great to say; how do you do it? What do you need to actually move your whole thinking paradigm into that space? So the way I've gone about it is to look at the data that we have. And you'll see me come back and touch on some of these things over the course of the talk, but what I wanted to do is to put data analytics, evaluation and research at the centre of our policy thinking. Understand what is actually happening out there. Understand, again, when you poke here, it pops out there. You don't know that unless you understand the data.

So trying to build systems that actually do that is really important. From there, you can develop your strategic framework, where that 'garden bed' can be grown.

Because I want the ideas to come from something that we actually understand as our health system. Not things that come from my next door neighbour, because they really don't have a clue. That's what we've really got to drive. If we look at health, and we look at the Medical Benefits Schedule, the Pharmaceutical Benefits, the private health insurance, the public hospitals, the aged care; they're all growing. History has said it grows at probably more than twice the [growth in] GDP. We are a pretty good country in that context though. We're about middle of the pack in the OECD group of countries.

But what we also see in some of these spaces over time, particularly in the public hospital space, we've actually seen constant improvement in the efficiency and effectiveness and appropriateness of public hospital services in this country. The introduction of activity-based funding and national efficient price a couple of years ago has actually seen quite significant improvement, to the point where we're seeing growth rates lower than at any time in history. So there is good news out there. It can be done. We need to take those ideas though, and then move on to the next bit and the next bit and the next bit.

Chronic disease is an opportunity for us, and if you look at the reform packages that we have out there and I'm not going to go into any detail here, because obviously we are in an election mode and everyone's going to have a view, but from a departmental perspective, what we've been trying to do is to look at those critical parts of the system and then think about – how do we actually interact, or those pieces interact with each other.

There is a whole lot of activity around our Medical Benefits Schedule, and the appropriateness of activity going on there. It's going pretty well. We need to understand what is appropriate and what is not appropriate.

Our primary healthcare advisory group started off very low key. We created this whole notion now of a healthcare home where we actually want to look at chronic and complex patients, and we're going to trial a whole lot of activities in this space. We want to look at the funding mechanisms. Mostly our primary care space in health is all funded through transactional arrangements, and that's probably not sustainable in the long term. So what is something that we can actually do in that space?

Private health insurance – one of the great cost increasing things that we have to deal with. A lot of issues in that space. We need to actually start to think about what's happening there. We've introduced something called a Primary Health Network, which fundamentally reshapes the delivery mechanisms for a whole lot of things in the health system. Aged care – where we've got consumer driven work happening on all fronts. The funding instruments need to be looked at there. There's a range of issues in that space. Mental health, we're actually going to use our Primary Health Networks to look at different delivery models that are focused on local delivery so we understand the burden of disease for populations. Because North Queensland is not the same as Canberra, is not the same as Sydney, is not the same as Perth. Let's start to think about what are the particular health issues that are in that space. And of course the deal we did with COAG earlier in the year really did actually move the agenda forward in that public hospital arrangement, where we're thinking about different ways of actually looking at the demand within the system.

So that's sort of where we are with health. Now I want to sort of divert a little bit from that now, because it's been quite an interesting journey. But what has driven me to this point, I think, is something I want to really touch on. I want to land on some of the lessons that I have learned in my life, that I think are important to the public service, and it's not because it's me.

It's because I actually think we as leaders in the health system need to do this step up and out stuff, where we actually start to talk more broadly about what is of value, and what value we can actually bring to the public service more broadly.

So Gordon de Brouwer mentioned my career as he introduced me. I have quite a different background, and I've worked in quite a number of spaces and you know, just quickly, I was born in Rockhampton. Scary thing. I was driving in this morning and I was talking to Rockhampton on the radio, on ABC radio, and I thought this is a bit scary, but talking about the uni up there and the different issues that go on in a small country town in central Queensland. I started work in Queensland Rail and I thought that was my career forever and a day because that's what people did. I worked between Brisbane and Rocky for about 14 years. Everyone thought I had my career mapped out, I was doing all these wonderful things, but at the end of the day I had this … I don't know… itchy feeling and I thought 'I need to do something different', so I did. I eventually moved into Queensland Health and it was a lateral move. Everyone criticised me and said, 'why did you do that? You were on this trajectory, you're doing wonderful things in the railway, why would you want to do that?' Because I wasn't enjoying it anymore, was the simple answer, and I think there's a message there; if you're not enjoying things, why keep doing them?

Because you're not going to do it well, in my view.

So there's a whole lot of those things that have happened across my lifetime, but the journey touches on a range of anecdotes now. Different things that have happened to me in different places that have probably really informed me in my whole thinking, and I quite often say to people, 'I am my life's experience and my life has been different to yours – no less important or more important – just different'. And it gets back to my difference comment. The fact that, you know, I do a few things well, I do a few things less well, and I'm not going to talk about the rest.

But I am not the fount of all knowledge. Never ever thought I was. I think collectively in this room we've got the brainpower to do anything we want. We just have to be able to harness it and drive the agenda. And that's the whole philosophy that I've sort of developed I think, over many, many years in different places that I try and bring to the workplace.

Let me just start with my first anecdote. My first CEO gig was in an area health service in New South Wales. It was actually one of those tap-on-the shoulder jobs that you hear about. 'We want you to go in here and we want you to look at a couple of problems we've got.' The budget, the media, the structure the services, the people.

Not much wrong with it all. You go in and you immerse yourself in what's actually happening. Some really interesting things. They told me how bad the budget was. Well it was probably about twice as bad as what they thought. What do you do about it? How do you come up with a plan of attack? What was the problem? How are we dealing with it?

The reality is we weren't dealing with it. The reality is we were probably doing some really stupid things. So how do we deal with that? Media – great stuff. I'll come back to the media, because that was one of the most fascinating things in that experience. Structure – hadn't worked, hadn't changed in years. Wasn't really actually focused on the clinical service delivery that was actually required. How do you deal with that?

People – I was told everyone's useless, get a new crew. This is what I've been told. So the message is, don't necessarily listen to everything you're told, and I'll come back to why. Because things are not always as they seem on the surface.

So for the people side of things, I actually do a lot of work with that group of executives who were there. I did move some people.

Some people did leave the organisation, and some people were saying, 'well I'm not… I don't think I'm up to that,' and I said 'well I think you are, and I want you to think about that'. One case, I left a job open for three months while I did my job and that job. It was a critical job for me, it was clinical operations in a hospital context. Critical for me. But I thought this bloke would be perfect. He didn't think so.

It took him three months. When he came around and he said to me, 'Alright I've been watching how you operate, I'm prepared to give it a try'. First lesson was: he was supposed to be useless. That person replaced me as the CEO when I left. Invest in people, understand what their skills are, understand where they're best placed, and anything can happen. He replaced me, he was there for the next four or five years. So things can happen and can change. The media – and this is not a negative media story, and in fact most of my media stories are always positive so any of you here in the audience today, take that note. But first weekend – it was a small country town. First weekend, walking down the street, everyone was saying hello, and I thought, 'Gee – this is a friendly place. I love friendly places'. Walk into the newsagents, everyone said hello, bloke behind the counter said hello. And I thought, 'oh yeah, again, friendly place'. And then I just happened to look to the side; and you know how in the old days – you probably don't see them much these days – you used to have these big banner pages, and it was a picture of me. Everyone knew who I was. But the caption took it all: 'The Job Nobody Wanted'.

And I thought 'oh my God, what do I do, what do I do now?' And I suppose the takeaway was: they cared about their health services. They cared about what was going on in that community. And I just happened to be the face at that particular point in time, to the point where I'd just arrived and all of a sudden there was this front page story. And it has sort of stayed with me, and I've remembered it again since I've been back in Health in the Commonwealth context, because I remember the impact that had on me.

I remember the impacts of a whole lot of patient, a whole lot of family, a whole lot of health practitioner issues, that you actually deal with at a coal face level, that you don't necessarily get to deal with in this rarefied atmosphere of Canberra. But the policy decisions we make have got a direct impact on people everywhere. And it's something I've never forgotten.

Moving on. 2006. So in a couple of weeks' time I'll celebrate the end of my tenth year in Canberra. I came in as a Deputy Secretary in Defence. If you think that was easy… Very, very different to the states. In some cases, very, very different to the rest of the Commonwealth. It is a large complex beast. Sometimes said to be tribal. And again, I don't say that in a negative sense. But culturally, different parts of Defence are different. You've got to actually think differently when you're dealing with its different parts. And, quite frankly, it's not as simple as saying army, air force, navy; it's army, air force, navy, civilians; it's Special Forces, it's commandos, it's SAS, it's … and it keeps going. There are many, many facets. Unless you understand that, you really are missing half the picture.

So I think Defence was when I first started really thinking about the notion of stewardship, and what does that actually mean? Because a lot of the time, and I've seen this in many organisations, everyone goes to, 'I own this piece'. And I was trying to say, 'you don't, none of us do'. But we are stewards for our time, in a particular space. So, most of the organisations that I've worked in since have heard me rattle on quite often about 'we are stewards of our system, we're not owners of it. We are here from a point in time perspective. How do we actually think about our organisations from that perspective?' Because if you think about stewardship versus ownership, it's a different model. You're forced to actually go down different pathways.

February 2010. Gordon's introduction said I worked as a Deputy Secretary in the Department of Climate Change and Energy Efficiency. The real reason is, I was rung up one day to go and do the rectification work around the Home Insulation Program. That was a fascinating point in history, for a whole range of reasons. And I used to say to the staff there at that time, 'look, yes it's difficult, whole lot of things are going on'. We were confronted with a whole lot of hysteria to be honest. But at the core of it was four young people died and there were house fires and so on and so forth. But what I used to say to staff, 'this will be the best professional development you will ever get'. They didn't believe me at the time because they were in pain. The first seven or eight weeks of that was quite amazing, we were engrossed in trying to think about, how do we actually get the system out of where it is and come up with a rectification program? But the reality was we were facing a couple of critical issues. Facilitation was the focus. We forgot about governance, we forgot about compliance. They were there, but we just probably didn't go where we needed to go. Data, and performance metrics. We didn't understand we were in trouble until we were well and truly in trouble. You have to get better at those sorts of things. It's really, again, quite a critical point in time.

One of the things I did notice about data there – and I have seen it in a couple of other places I've been – is you can ask 'what is the data around X?' and you'll get three, four, five versions of the truth. So a key message for all of these things is 'what is the single version of truth?' And if you can't find it early, work on it, because it will become quite critical for you. So the lesson for me was really around that whole notion of data, metrics, governance, make sure you get your compliance activities ready. As boring as some of these things sound, they are quite fundamental to your success. No matter what you do. And I have to say, that has lived with me ever since, quite strongly.

One of the other things I think I really did learn there was the notion of courage. And it's courage around your decision making. It's courage around how you deal with a whole range of complex issues where everybody has a view. I remember one meeting where 25 people in the room had about 35 views, and I was then asked to sort of go away and find a solution. Pretty hard. Courage to actually call it. Courage to deal with it. And I'll come back to that a little bit later.

So December 2011, moving into 2012, I moved into Immigration. Another easy job. I suppose at that time in history – so if you think back to late 2011, early 2012 – that time in history, that set of political, logistical, and humanitarian challenges, the challenges were quite significant. Things were starting to move. And we had to actually start to think differently, because we were quite traditional. We were a very relationship and rules based organisation, because that's the nature of assessment in a lot of the Immigration space. Now Immigration is always probably characterised as boat arrivals. Immigration is about social, economic, national security, and foreign policy. It covers all of it. We focus on one bit of it, particularly in the public arena, but it is quite a significant portfolio in a policy sense. It is probably the only portfolio that actually goes across all of those policy domains. So you've got to think quite laterally when you're dealing with these issues.

So what I saw was an organisation that was exceptional at responding to the crisis, the need that was there right in front of them.

What it wasn't so good at is actually changing the thinking because of that rules-type environment. So again, trying to create an environment where people thought they were allowed to think differently, and I could use a million examples at Immigration but I want to steer clear from some of those for the moment, but I think the key – some of the key things – there were, how do we create a permission culture? A culture where people thought they had the permission to try something different. How do we come up with solutions? Boat arrivals, boat decreases – changes. That landscape changed dramatically over a three-year period that I was there. Dramatically. But we had to try different things, and we did. We made mistakes, as you do. But we learned from those mistakes. We hardened our resolve about doing what we had to do. To say it doesn't challenge you, your whole mindset, would be a mistruth. Because it does. But you are a public servant delivering in a much contested policy space. You need to truly understand, that's the environment you're in.

If you're not comfortable in that environment, don't do it. That would be another lesson. Don't do it, because you are charged with making things right for a group of people that have some pretty sad circumstances. What I found happened there is that ability to move and change their thinking energised people. I remember one particular thing that we did really fundamentally changed the way we looked at a particular operation. It finished on a Saturday. On Sunday afternoon I started to receive emails from the people who'd been dealing with this to say, 'we can do this again. We can shift our thinking on a range of issues. We can come up with solutions'. So people were enthused, they wanted to actually say 'well let's actually tweak here, tweak there, move on and we can actually do that'. And it worked.

And I think at that time things were pretty good. I think I learned a lot about myself during that time. I think watching how the team developed strategies and approaches was quite a humbling experience in a lot of ways, because that team went the hundred yards when they needed to go that hundred yards. They did a fantastic job. And these people were dealing with the real impacts on a whole range of people in our society. So you learn a lot about yourself when you're confronted with some of those sorts of things.

So, back to Health. October 2014, and again another different world. Twenty months in – I think it's about 20 months now, I think one of the things I'm probably most proud of is that we have a team approach – a team of people who don't get off on one-upping each other, who get off on thinking about the strategic policy implications of what we are actually saying. We've been able to create – and look, it's not perfect, nothing is perfect – but we've been able to create an environment where I think when one responds another is just there behind waiting, and when that happens we move the other way around. I think what's really going on is people have learnt how to lead from the front, and to lead from behind. All good leaders need to work out when you need to be in front and when you need to be just a little bit behind, including me.

Again, going back to my comment, not the fount of all knowledge, I don't want to be leading on the latest clinical practice. There are experts out there who know that, but I want to facilitate an environment that allows them to do that. And I think that's really the skill that I bring to the job – is my ability to build a team, my ability to be able to facilitate an environment that people feel comfortable, the feel supported, they feel they have the permission, and in some cases the courage to do what they need to do.

So I do believe we have that 'garden bed' of ideas that I talked about. I do believe we have quite a collaborative understanding amongst ourselves, and amongst the stakeholders. You don't have to love your stakeholders. You don't have to always agree with your stakeholders. But if you don't listen to them, you miss most of the picture, and I think that's one of the real lessons I have learnt, because you know, in my past, I have been quite narrow in my thinking, no doubt about it. But I've learnt over time that if you actually can suck all that information in and understand it and massage it, and everyone's going to come with their own self-interest. Everyone's got self-interest. But if you can leave that at the door for five seconds you might be able to actually come up with some pretty interesting ways forward.

So, what have I learnt through that little trek through history; not only about organisations but about myself? And how working across so many contested policy spaces which has been my history over the last probably ten years at least. So what have I learnt? For me, team. Team is fundamental. If you can build the skills, if you can develop people, and you can trust people, they'll go to the ends of the earth for you, and they'll back you when things are tight, and as you would appreciate I've been in some pretty tight spots, and I'm in a few right now, but people will support you. Trust becomes quite critical.

I mentioned develop people. You develop people not to keep them forever. Develop people and have the courage to let them go if they want to. People come to me quite often and say, you know, I think they're expecting me to say, 'no, don't go.' If they want to go, they'll go with my blessing and I'll support them and I'll do whatever I can, because my view is breadth of experience is something that is quite fundamental to our growth. And if you go and you learn more skills, if you're really passionate about health, you'll come back, after you've learnt those skills, and if you don't, you'll contribute to a much better public service or private sector or wherever you end up, and I think that is really a critical issue.

And if I go back to my area health service example about the fellow who followed me as CEO, make sure you make your own decisions about your team. Don't let others make it for you. Don't always think because they're doing that job, that that's the only job they can do, or that's the best job that they can do. People make decisions about career for all sorts of reasons. Sometimes they're logical reasons. Sometimes they need a bit of help to understand that that is illogical. Sometimes they won't like that. But you as a leader owe it to them to probably point that out.

Difference – I talked at the start about difference. I talk quite often in the department about difference. We have a range of strong networks and activities within the department and it goes to Aboriginal and Torres Strait islanders, it goes to our disability network, it'll go to our multicultural groups and it will go to the LGBTI community and network. People have different perspectives, and if you think about what I bring to the job it is working across many different spaces over states and territories and in the Commonwealth. Many different industries.

'The amount of data that we have is just phenomenal. We don't use it anywhere near enough, and I have invested in trying to put data analytics, the whole behavioural stuff, the research, the evaluation at the centre of our thinking.'

I bring a particular strength. People from different parts of the world will bring different experiences.

People from different parts of the community will bring different experiences. None better or worse than the other, but again, it's that collective good of difference that I think really does shift the thinking.

Another little one for me is: leaders listen and watch more than they talk, and if you really concentrate on listening and watching to what's going on around you, it is amazing what people will tell you. You know, I talk a bit in the organisation about my lift conversations, because I force conversations in the lift. I'm an introvert. I hate some of this stuff but I've taught myself: if I want to be good at what I do I need to do things. So I talk to people in the lifts, and they will tell me anything and some things I really don't want to know. But they do. And it was interesting recently catching up with the grads – I love talking to the grads. I catch up with some of the grads – and this was probably last year, so if any of my current grads are in the room, it was last year's crew, but…

There was a function at Parliament House and one of them come up to me and says, 'oh, we've been learning how to talk to Martin in the lift, can I do it in Parliament House?' And I thought, 'oh there you go, something's working'. It's really an interesting dynamic when you talk to people and you listen to their stories, how it actually shapes. From that we created something that we call in Health, our Behaviours in Action. It literally started like that. Just conversations. We then moved to, you know, I want to actually understand a little bit more about behaviour in the workplace and then we had a whole lot of people who just went off and started stuff and they come back to me with Behaviours in Action. It's worked a treat. Absolutely brilliant, in my view.

So around some of those things, don't presume others don't have good ideas. We sometimes think we're the smartest people. Others have good ideas. And they could be your stakeholders, they could be your staff, they could be your next door neighbour, but just don't presume immediately.

Another one for me is embrace that permission culture, one where people are prepared to try different things, where we can make mistakes. Remember things do go wrong. They go wrong every single day. We don't want to shift blame.

Now I'll use a personal example from Health. In the 2015–16 Budget, we do a Budget lock up, where we have 400 of our closest friends come to talk about the Budget. It was a pretty interesting experience, me standing up like this with 400 of my closest friends, who I was telling we were just going to slash budgets all over the place, and we didn't give them any information. Budget lock up, [they] think you're going to give them something. They got there, and we had made mistakes. We had underestimated a whole range of issues. We forgot what was actually happening, and I got annihilated. I stood up on that stage for about an hour and got absolutely pilloried, smashed. Woke up the next morning to the media which was giving me another touch up. I turn up at Estimates not long after that, and of course, what was the line of questioning? It was, 'why, how did you bugger that up?'

And you know, and then it started, 'well, who's responsible?' Because they were trying to blame somebody. I just simply said, 'I am the Secretary. I make those decisions. It is my responsibility and that's it'. 'Oh, but somebody must have done something wrong.' I said, 'I am the Secretary. I obviously did a lot wrong, but I will get it right next time'. Shut everything down. But it is about: don't shift the blame. Don't blame the poor person out there who's feeling like crap, to be honest, because they knew they made a mistake. They knew there were problems.

But I also knew, the fact that how they were seeing this, they wouldn't do it again. 2016–17 Budget: absolutely brilliant. Worked a treat. We had the information. We had stalls where they could actually go and ask their questions. Complete 180 degree turn-around. Same people, same issue. Don't shift blame.

Back to the home insulation. Balance your facilitation and your governance. We always love a can-do person, that's great. But remember your governance.

Remember also to engage with risk in that context. Don't just leave it, engage with it.

Don't be risk averse, don't be risk mad. Manage it, understand it, deal with it, right upfront. Get that balance between that innovation, that risk, that facilitation, that governance. All very, very important. Another one of mine is – it goes back to something I said a little bit earlier – around, don't presume others don't have good ideas as well. It's also: share information and data. For the greater good. Don't hide things, because information is power. We've done some really interesting things in this space, where traditionally we don't give it out. Well I said, we're going to give it out, full stop. And then I get the usual advice that tells me I'm stupid. Then you ask a different question.

'If I'm going to do this, how am I going to do it properly, so everyone is protected?' You've got to remember, ask the right questions. I suppose one of the other things that really comes with some of this, is: you need to remain calm, and if you're not calm, those around you won't be calm, and they'll actually be worse most of the time, because if the boss is a little bit frantic, there must be a problem. If I go back to some of the Immigration days, people used to quite often say to me, 'how can you be so calm? The world is melting down around you, you know, how do you…?'. I said, 'what's it going to achieve? What's going to happen if I get wound up and think the world is dying for me?' You'll feel that, others will feel that, and we won't get the right answer. So remain calm.

I think, just wrapping up, I mentioned courage earlier, and I want to sort of finish a little bit on courage, and say, you do have to have the courage sometimes in your jobs to pursue ideas. There will be people and processes and things that will actually discourage you in some cases.

But have that courage. You know, sometimes you will also have to have the courage to say 'no'. And what I quite often say to people is I can say 'no' in more ways and languages than anyone has ever heard without ever saying 'no'. You've just got to understand how you do that. You've got to have the courage though sometimes to say 'no' to powerful people. Or important people. And this really is one of those important messages.

You just have to have courage on so many levels to be, I believe, successful. Gets back to engage with risk. Now you don't want to be the naysayer, and I'm not saying that for one second, but there are things that will come up in your work life where you'll think, 'holy-dooley, this is a little interesting'. You need to have the courage to probably say 'no', but also come up with the alternative. Otherwise you won't survive long. But there are some moments, and I could probably recount a few times in my life where I've actually made the decision to move. If I go back to when I left Queensland for New South Wales. Probably the reason I did that was I was just jaded, sick to death of a whole lot of things that were happening. I decided 'hmm, job's come up in New South Wales, that sounds interesting, let's go'. And I haven't changed since. I've kept doing a whole lot of different things.

So at the end of that, I think what plays really, really well, is you need to be authentic. If you're not authentic, people will see through you very, very quickly. So I might leave it there, and I do hope you have questions, and I don't care where you want to go with your questions. I'm pretty much open to wherever – wherever you want to go, because again, part of authenticity is being honest, even if I don't know the answer, being honest about that, but also giving your views on how things can move. So thank you all.

Gordon de Brouwer: So we'll open up for questions now. Could you just raise your hand – there are microphones around the room – and introduce yourself.

Question: Hello, my name's Beth, I'm Dep Sec of the CPSU. Thank you for your presentation, I really enjoyed it. I found it very interesting as I'm sure the whole audience did. I was reflecting on your speech, and I was thinking about some of the really positive terminology that you used, you know, and you've been speaking about developing a culture that gives permission, an evidence-based approach to policy development, embracing and seeking out diversity, and all these things are really positive and wonderful, and I must say in my experience of Health has been that it has markedly changed under your leadership, for the better, so I can see all of those in lived experience.

But I would be interested to hear from you if you're able, to reflect on how you balance your role as Secretary, given government policy, APSC reforms and a difficult space where your view of how to manage a good team, and a strong team, and a viable team can be really challenged by policy and agendas that don't fit with your own, and I imagine that's a really difficult leadership space.

Martin Bowles: Thanks Beth. Look, you're right, there are a whole lot of challenges that are put in our paths all the time, and not everyone's going to have the same view as me on everything, and that's again, fine. For me it is about respecting all of those issues that are out there. And one of the things, you know, if I go into particularly the people space, which is really where you're going, there are a whole lot of rules out there, and there's a whole lot of guidelines out there. We quite often mix them up, we quite often put our own hoops and hurdles in place that are not necessarily the rules. They're the ones we've created over time.

So if I use the data example, if I go into it a little bit more, we have this notion that everyone said 'you can't give MBS and PBS data out because of privacy reasons, and all these other reasons you can't do things'. Well if I just believed that, we'd be still not giving it out.

The reality is, I asked some different questions: 'If I want to do this, how do I do it?' So you get away from black-letter thinking, and you get to a point where there are black-letter issues, but if you think about it differently, can you actually facilitate a different outcome?

In Health, and in Immigration, and other places for that matter, we have shifted our thinking on a range of those people-related things. Because we embraced the people themselves to generate a lot of the conversations. And look, yes we will come up against some things from an APSC perspective, but they're looking at things from a whole of public service perspective. I'm looking at things from a Health perspective, at this particular point. The issue though is how do we all, as leaders, start to step it up? Because if we start to step it up, and we talk about some of these issues, ultimately we start to understand them better, and we have a chance at getting a better outcome.

So I mean, I'm not negative about having some of those things in place, in fact we need the checks and balances in our system, otherwise there are things that will happen that are inappropriate out there. So we've got to recognise that, but we can't be constrained by one-track thinking on them. There are ways of dealing with most things in this world, you just have to think differently. Sometimes you have to challenge yourself around some of those things. So you know, there's no single answer to your question, and I suppose for me it is one of the critical leadership elements for us all: 'how do we challenge the norms?'

Not to buck the system, but how do we challenge the norms to get the best outcome we possibly can for our people and our organisation? And you know, I talked a lot about the team, and I'm not talking about one particular group of people necessarily, it's the whole approach. It's: 'how do we actually make things better for each other to get the outcomes we need?'

Gordon de Brouwer: Any other questions?

Question: Hi, I'm Judy Schneider and I come from a social policy research background. Martin, I understand that you've invested in your data analysis capability, and I was just wondering, has that been going long enough for you to get some returns, and I was wondering if you could talk a bit about that.

Martin Bowles: Thank you. Yes, I have invested quite heavily in whole data analytics, and more and more so now into behavioural insights and behavioural economics technologies. I actually think our world is at a tipping point in a range of ways, and if I look at Health, the amount of data that we have is just phenomenal. We don't use it anywhere near enough, and I have invested in trying to put data analytics, the whole behavioural stuff, the research, the evaluation at the centre of our thinking. So when we look at an issue, we look at the data. I mentioned we're doing the Medical Benefits Schedule review work, that's all based on data analytics of what's actually happening out there.

I believe we need to keep going and expanding in those spaces and say, we need the clever people to ask the right questions, and when we ask those questions – and we've done this in mental health, for instance – we've asked questions that we dreamt up, if you like, based on our history, based sometimes on gut feel.

And at one level they're right, but the deeper you go, the more questions that get raised. And the deeper you go, the more streamlined your level of questioning becomes. So the solution, while the overarching is still true, the solutions to getting a difference up here is probably a lot narrower than we actually currently think.

So investing in understanding data and understanding how data links to policy outcomes, I think is pretty much where we need to go into the future. We've been doing a lot of work with the Australian Institute of Health and Welfare, which is one of my portfolio agencies. We're trying to really reinvigorate the AIHW to be one of those really critical bodies where data is linked, anonymously – but for policy outcomes. I don't think we've necessarily done that as well as we could.

I think part of that, it sort of goes to that notion of what I said before, we don't want to share sometimes. Well, we're going to have to get over that. Now, from a research background you could ask me – your next question could be, 'well why don't you give it to me?' And I think you have to get there – I just don't think we're quite there yet.

Now we can get there in certain limited cases, but I think we need to work out what are the things in this sense that are personal to me and I don't want you to know about, and how is that protected. What are the things about me that I want to share with some people, like my doctor, so they can help me be as good as I possibly can?

And then there's data about me that nobody really cares about and nobody knows it's me, but will actually help us come up with the next cure for ... whatever. The whole notion of open data. And I think we've got to get there.

And I think there's a lot of talk at the moment around that, and I think it's quite positive. We've got a lot of activity in this space and I think it's all very, very positive. So I think we're on the pathway. As I said this is the space where I think the tipping point is and I said if we make the right decisions in some of these areas we can fundamentally rethink our policy positions on a range of issues.

Gordon de Brouwer: Okay can I just take the last question.

Question: Hello Martin. I'm Stef. I'm from Health.

Martin Bowles: I remember you, Stef. Its one F.

Question: It's one F. Yes it is.

As a senior leader you must understand that people will be asking you your opinion and your advice and direction and you are a strong and informative leader. How do you keep your leadership team aware of the importance of listening to other people and not only sharing ideas but accepting them as well?

Martin Bowles: Thanks Stef. Stef and I go back a little way when she asked me some other questions. Stef with one F. I'll never forget it.

I talked about listening and watching before. When I sometimes say to my deputies 'I've just heard blah and this is happening', and they say to me, 'what do you mean?' I say, 'well I've been out and about and this is what people are telling me'. It's absolutely amazing what peer pressure does to people. Because if they're not up with it, they want to be up with it and it's amazing how quickly they get up with it. So part of it is just how you culturally drive behaviours. I quite often say, 'my words and actions need to be like that' [together]. As soon as they [part], no one's going to believe me. So get it back to there [together]…. I say, 'if your words and actions start there [together] and end up there, [apart] we've got a problem'.

And I think sometimes it gets to a point where people were waiting for me to do the next big whatever, and I just say to people, well that may happen, but it may not happen. What are you doing about it? How are you playing that particular card?

Because leadership has to go through the organisation, and to be honest, Health, I think in some parts of Health it's brilliant the way it goes. Other parts…and we stop.

We know that because we're actively investing in that. We're looking at what's happening from the survey data, a whole range of different things. This notion of 'watch and listen' and how do people actually engage with that conversation. That's how you have to do it. And again, over my career I'd say peer pressure is probably the greatest thing that will change behaviour. People always want to be seen as doing 'the right thing', or being 'as good as…', particularly people who have aspirations for high office and things like that. That's the way we're made. So you work on how we actually drive some of those things and you know, that might be a bit Machiavellian in some ways but you have to actually move your organisation forward with that.

Gordon de Brouwer: Thank you very much for your generous time. These are big events, they're really valuable and your comments have been very generous. I think what you revealed about yourself is that you're a principled, practical problem solver, in the way you talked about it. Again, you're a real dynamic leader. I think people, myself and others, would find it inspirational, the way you talked about difference and diversity, having courage, and the role of the team and your role in that. So I think you've shown yourself to be a great leader, and again, why your colleagues, the Secretaries Board respects you so much. So I've got a small gift, which is always alcohol.

Martin Bowles: Thank you very much, a pleasure…


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THURSDAY 13 OCTOBER 2016

Secretary Valedictory

Jane Halton AO PSM

SECRETARY, DEPARTMENT OF FINANCE

'It's hard to be heard in a world that gets noisier and busier by the minute. …. Use language that can and will be understood. If you aren't heard, you can't advise.'

Thank you. Can I also acknowledge traditional owners of the land on which we're meeting today, the Ngunnawal people, and pay my respects to elders both past and present. I'd also like to extend that respect to other Aboriginal and Torres Strait Islander people present today.

Thank you, IPAA, for the invitation to make this address. IPAA plays an increasingly important role in the continuing development of public sector professionals, and I'd like to compliment them on the work that they do.

In a slight reversal of how these talks are usually undertaken, I'd like to start with some thanks. At the Oscars, when you go on for too long, they just turn the sound down, and as I don't want to risk that happening to the most important part of these remarks, I'll start where most people finish.

A career like mine would not have been possible without, as Hillary Clinton might say, 'a village'. My husband, Trevor, and my sons Morgan and Elliott, have been unwaveringly patient and supportive. I've had the privilege and the pleasure of being schooled, coached, nagged, and my many failings pointed out to me by the most fantastic group of mentors and colleagues over the years. Working with some outstanding women, Mary Murnane, Mary Scott, Marie Coleman, Judy Blasow, among others, made a lasting impression and taught me how to be a professional public servant who cares about quality and seeks to actually deliver something.

I've been blessed with outstanding colleagues who made me look much better than I really am. The longest serving, Rosemary Huxtable, David Learmonth and John Horvath are just a few of this hardy bunch. There are many others here today. You all have and will continue to make an important contribution to our nation.

To the Finance team: 'you're awesome!' and, at nearly seventeen years in a partnership, that, as she keeps reminding me, has lasted longer than many marriages, Rhana Crago has been the most incredible support. She is without doubt the archetype of the professional executive assistant.

To all of you, named or not, to my colleague Secretaries, for your feedback, friendship, support and your professionalism I thank you.

The offer of a valedictory address is not one I accepted lightly. Much like the monarchy, when the Queen is dead, 'Long live the Queen'. As there is currently no need for an obituary or a eulogy, I decided that a few words as a capstone to thirty-three years would be appropriate.

Of course, it's hard to follow in the valedictorian shoes of my good friend Peter Varghese. As many of you know, Peter has a sharp intellect and a fine analytical mind, and his recent observations about the importance of institutions, our relationship with Ministers and others, the importance of deep policy thinking, the case for radical incrementalism, and values and leadership, are ones I wholeheartedly endorse. He also had some very useful observations about the challenge of relationship with advisors who are often young and enthusiastic. To those looking for some advice, comfort and handy hints on where the line should be drawn, I encourage you to revisit his speech. The challenge for me is not to duplicate his remarks, as this would be a familiar but unnecessary echo. I'll steer a parallel and sometimes more personal course in these reflections, on what it took to become a professional public servant, and something of the challenges facing the APS if it is to maintain its crucial role in the effective functioning of our democracy.

Like others, I'm an accidental public servant. Having started down one course and finding it not a long-term fit, I did what many other young Canberrans did: I got a graduate job in the APS. It was not my intention to stay for thirty-three years, but, hey, here I am.

Of course, legend has it that I was weaned on all things bureaucratic, courtesy of my father, Charles. This isn't strictly true, as until he became the equivalent of a Deputy Secretary in the Canadian public service, he had worked in British industry. It is the case that I learnt from watching his work ethic, often greeting eager young clerks, who are not so young anymore, at the door to receive a tightly held and very important package of documents for his review. No email or faxes in those days. I learnt the art of discretion, often answering the telephone with him sitting at the dining table and greeting the caller with, 'Can I ask who's calling?' Responding: 'Hello, Michelle (Grattan)', 'Mr Hunt', 'Mr Jones', 'Mr Fraser'. Then I'd look for the hand signal that said, 'No, I am not here' or, 'Yes, I'm available, Prime Minister'. Mostly I learnt the craft of analysis, debate and how to hold my own in the contest of ideas. It was excellent training for the career ahead.

Many years after those early probing kitchen discussions, having won the legendary Max ('The Axe' to all of us) around on a thorny social policy, Max shook his head and said, 'You really are a chip off the old block, aren't you?'. I took that as a great compliment, but I digress.

I attended senior secondary college in the ACT, and this was just over the road from the Woden Plaza, which coincidentally is within eyesight of the Department of Health's offices. Public servants were referred to as 'pubes'. That wasn't a compliment, and the torrent of beige or, so it seemed, cardigan-clad people heading out at lunchtime did nothing to advertise the merits of public service employment. Strangely, the disconnect between home and the teenage prejudice didn't seem to strike. It did later.

The public service that my cohort joined was a clear reflection of the past, and the effects of previous policies were still very evident. It was less than twenty years since the marriage bar had been lifted, and only 38.5 per cent of the workforce was female, as opposed to 58.4 per cent today. In the leadership ranks, women were scarce: 11.9 per cent of EL1s, 6 per cent of EL2s, and 4 per cent of the SES. I met many women who were still angry that their careers had been interrupted with devastating consequences for opportunity, seniority and pension income. Today, these numbers are 50.8, 44.1, and 43.3 per cent, respectively.

Today, (as a service) we are also better educated, with twice the rate of tertiary qualification. We're a bit older. Thirty-two per cent aged over fifty, as opposed to 13.1 per cent, and we work in really different ways. No longer do we have a clerical administrative stream, tea ladies, typing pools, lots of files and the need to learn how to folio them. Today we all type badly, do much of our business electronically, and work at a faster pace than at any point in history.

'We need to lift our game by promoting a positive risk culture, walking the talk, making risk management a core part of doing business, articulating entity appetite and tolerance for risk, encouraging the regular sharing of information with others.'

It's this pace of change that requires us to think now about how to equip our people, manage risk, continuously evolve how we work and to communicate more effectively. I'll reflect a little on each of these issues.

The modern APS is awash in information, is subject to the contest of ideas, and part of the relentless media cycle that spares little time for thoughtful analysis. Politics is a pretty tough game. While maintaining our apolitical stance, we can get caught in the uncomfortable no man's land in the middle of a point of contention, and increasingly this is in the full glare of the media spotlight. The challenge for the APS and IPAA is: how do we prepare our next generation and the generation after that for leadership in this kind of environment?

When I joined the APS, there were few if any academic courses that taught you what supply was, or the advance from the Minister of Finance, the legislative process, or Senate Estimates – my special subject and I never missed one. Parliamentary committees, and how to appear before them, and I've done a few of those, too, were all things that you learnt on the job. How to advise, formulate options and weigh the pros and cons. When and how to communicate, how to work with others, including those enthusiastic advisors, the joy and challenge of stakeholders, and, before it actually got a name, how to practise co-design. What matters in administration and how to run things. The importance of accuracy. How to ask questions and mostly how to make things happen were all things that I served an apprenticeship in.

Of course, I could write a whole thesis on how to work with Ministers.

One supervisor with a sharp blue pencil, an ex-journo, taught me that academic writing was not good for actually communicating. Another, how to properly read legislation and know the difference between black letter law and the art of the possible. 'Never', she said – apologies, lawyers – 'Never', she said, 'get final legal advice until you know what it will say, and always start with: How can I ...?, not: Can I ...?'.
Excellent advice.

‘We need to school our people more formally and ensure their ongoing professional development. Much as doctors, lawyers, et cetera all undertake academic training and then require continuing professional development, we need to think more carefully about how we equip senior leaders and the middle managers for the engine room of the public sector.’

I was well-schooled in the craft of the public sector. There was time for this to happen. I was given increasing responsibility, sent to explain very difficult policy to very angry stakeholders on more than one occasion, spent a lot of time working with state governments developing and then implementing new policy. None of this I learnt at university, and most of it was able to be done away from the glare of the political spotlight and media attention. People coached me and I was able to make mistakes, get my feet singed in the fire but continue walking on now toughened and more experienced foundations.

How we do this for our people going forward is something of a challenge. Of course, training and development has been here since the beginning, with leaders exhorted to focus on training the future occupants of responsible positions as early as 1910. In the US there has been a more focused approach to teaching in the government domain for a far longer period. The Kennedy School of Government dates to 1936. In Australia, it wasn’t until the post-war era, 1947, that attention to more generalist training emerged.

It wasn’t until 2002 that we developed our own ANZSOG – Australia and New Zealand School of Government.

Consistent with the community at large, we need to school our people more formally and ensure their ongoing professional development. Much as doctors, lawyers, et cetera all undertake academic training and then require continuing professional development, we need to think more carefully about how we equip senior leaders and the middle managers for the engine room of the public sector. The Graduate Certificate In Public Policy and Finance – that we, Finance, have co-designed with a number of the departments here and the University of Canberra – is one such example.

The speed and complexity of what we do today does not lend itself to an ad hoc apprenticeship. We simply cannot give the breadth of knowledge and experience our people need in a timely and effective way without concentrated doses of learning.

Notwithstanding our work on modernising the APS, we can all point to a litany of inquiries into failures of public administration telling us to build capability, be more agile, responsive, or risk-aware. Now, I've certainly been through some high-profile issues in my career, and every time I see a colleague going through something similar, I really do empathise with them. The political rough and tumble takes no prisoners and makes no allowances. As Geoff Gallop observed only earlier this week, the modern way is to personalise, catastrophise and generalise. In this case, we have no choice but to institutionalise our approach to and train our people in risk management.

Let me tell you the story of Peter's briefcase, and it's not a Peter who's here. This event occurred around twenty years ago, in the context of a very politically sensitive issue over which Ministers actually lost their jobs. A recent search of Finance records unearthed the following note on a file, and I quote: 'After delivering the brief and the report itself to the Secretary's office at 8:25 this morning, I returned to Civic by bus. I caught a 231, and, because the bus was a little crowded and contrary to my usual habit, I placed my briefcase in the luggage area behind the driver. On arriving in Civic I left the bus, forgetting to pick up my briefcase. I realised what I had done within about a minute, but on running back to the bus bay, found that the bus had left! The briefcase contained a clear plastic envelope encasing: one pink copy and one white copy of the package I had left for the Secretary, including draft letters to the individuals investigated; a floppy disk containing the only electronic versions of each of these documents; another floppy disk with a range of work files.'

What then ensues is a long description of the many phone calls, radio messages and the pursuit of buses across Canberra in search of the errant briefcase, which was brown. Failing to locate it on any 231 bus, buses with the 23 prefix were then targeted.

At 10:00 am, the officer received a call from the Secretary's office to discuss changes that the Secretary wanted in the brief, and I quote: 'I told him' – the phone call maker, not the Secretary – 'what had happened, and asked him to give me an hour to keep chasing ACTION before causing any further excitement'.

After speaking to ACTION at 10:35, the officer asked that the Secretary and Deputy Secretary be notified what had happened. The officer suggested that the movement of the brief be expedited to forestall any leak. He was later advised, and I quote: 'The Secretary has asked that the offices be advised and that the re-keying of the documents was underway'. At 1:40 pm, nothing had turned up and, at 2:00 pm, an ACT employee with superior knowledge asked for ticket details. At 2:30, the ACTION Depot had located the briefcase.

The note concludes, 'He returned it later in the afternoon. As far as I could see, nothing was missing and I have no reason to believe it had been opened'. That official went on to work in highly sensitive areas at the centre of government. There was no leak and there were no consequences to his career. Now cast yourself forward twenty years, and replay those events. Heads would roll. Twitter would have been on fire, and there would have been a race to interview the person on the bus who found the briefcase. It would have hit the airwaves inside

'The modern APS is awash in information, is subject to the contest of ideas, and part of the relentless media cycle that spares little time for thoughtful analysis.'

the hour, and anyone who was caught short by not knowing it had happened would have been spitting chips, and rightly.

The consequences of error are just much greater today than ever, so we need to recognise and manage risk and know we can't outsource it. In truth, we actually have a low appetite for risk-taking. We do our best to avoid or transfer risk via outsourcing, internal regulation and, goodness help us, red tape. The Commonwealth Risk Management Policy took effect on 1st July 2014, as you know it was part of the public governance and accountability reforms, and I really hope that this proves to have been a watershed moment.

The policy has nine elements which I'm not going to repeat here, but I commend them to you. 'How are we going?', you might ask. I'm obliged to tell you that I probably would say 'mixed' is the answer, and we range from a B to a C-minus grade. We're not as advanced as we think we are, and in a Rumsfeldian sense, we're moving from the unknown unknowns toward the known unknowns. There's a long way to go yet. Departments are beginning to incorporate risk management into their business processes. We're still developing risk appetite and tolerance statements, and finding ways to embed risk culture into day to day behaviour. We need to lift our game by promoting a positive risk culture, walking the talk, making risk management a core part of doing business, articulating entity appetite and tolerance for risk, encouraging the regular sharing of information with others. That doesn't just mean with others in your own department. I'd also commend the notion of a Chief Risk Officer to you. All of this will help each of you to not have a 'Peter's briefcase' experience.

In recognising the need for a structured approach to risk, we've learnt much from private sector approaches and we need to be more, not less, outward focusing. With the current pace of change, levels of public scrutiny and expectations, speed of communications, seismic shifts in technology and low tolerance for failure, the modern public service cannot hope to be self-contained nor self-referencing.

Having the right technical advice, expert knowledge or specialised service to assist in or input to decision-making, delivery and purchasing is not optional. These skills may well not be held in our own departments or in the APS at all. Increasingly, we will need to work in a networked and collaborative way, sharing experiences, scarce skills and resources, delivering joint outcomes, purchasing goods and services collectively, and adopting the best management techniques and organisational principles in a timely way.

We will need to invite people in, some temporarily, some permanently, to augment our skill base. We will sometimes need people outside to do things for us to provide assurance that we are on the right track. There are peculiar implications for Secretaries and agency heads. A go-it-alone mentality will not work. We also need to work harder on foresight and continuous adaptation of how we work, the techniques we use and how we deploy resources. Anticipation, ongoing adoption of new technologies, expertise and the latest management approaches are vital. Flexibility is crucial. This pressure will become more acute, not less.

Of course, sometimes we may draw from the past. Take the tea break, something long gone in the modern workplace, but we now know that taking a break is good for the brain and creativity and, yes, productivity. A modern response is unlikely to be the return of the tea lady, but it may be the kind of smart office design and work practices that we have recently implemented in Finance, having looked very carefully at the research literature and best practice in the private sector.

We can anticipate now the impact of big data, powerful technology and Generation Zed, who know how to use it. They will have the skills to search for information in our vast holdings, much as they would actually search the internet. They will be good at visualisations and presenting information in a way that is easy to understand. They are the scrolling generation.

If they don't like something, they move on – jobs, education, life choices. Importantly, while they will have career plasticity, they will not need to work somewhere to actually belong, and this is important. As we partner more with those outside and the line between inside and outside inevitably blurs, the core of the APS, its nature and purpose and the values espoused in the Act must continue. Just what that looks like in 33 years' time is hard to know.

Consistent with my point about foresight, we need to think now about coming challenges and opportunities. In Finance, our recent use of test labs and agile project methodology with a build–test–refine approach are helping ready our workplace for the future. We're also continuing our focus on specific areas of weakness. How we communicate is one example. This is an APS-wide issue. Whatever you thought of Amanda Vanstone, she had a way with words, as in her APS centenary speech, 'Mandarins, Pineapples and Lemons'.[1] Her taxonomy of public service types included 'boffins', apparently common in Finance, and known to say: 'That's all very well in practice, but how does it go in theory?'. My favourite: 'Careerists – those who can smell warm air and the upward current like a carrion eater that can smell flesh'.

It's her view about how we institutionalise jargon in our training to the point that we don't even know we're doing it that I wanted to draw to your attention, because she is right. Let me read you her illustration of this, with the prescription of how you train the child in the art of bureaucratic obfuscation, i.e., evasive communication.

> To your child at night, in soft tones say, 'Scintillate, scintillate, aerial vervific. Fain would I fathom thy nature specific, cast as thou art in ether capacious, strongly resembling a gem carbonaceous'.

Now, any of you with a decent education would know where this is going, because what you should actually have said to that child, in plain English, is,

> Twinkle, twinkle little star. How I wonder what you are, high above the sky so bright, like a diamond in the night.

The point's even truer today. It's hard to be heard in a world that gets noisier and busier by the minute. While this was a criticism of us, we need to understand that we are competing for attention and understanding. We cannot exclude others in how we communicate. Short and to the point is often best. How we Tweet, write and talk is material to our success. Use language that can and will be understood. If you aren't heard, you can't advise.

Finally, before I've really worn out my welcome there is one last area for ongoing focus. The numbers I outlined earlier show women have made progress up the leadership ranks, but some people in this audience can tell you the glass ceiling is still there, and you hit it at different levels in parts of the APS. This needs to change. While I fully support the work that is done on unconscious bias and other academic endeavours, we also need to do some really practical things now.

Let me ask you this question. 'Would it be right if there were still exclusive men-only drinking clubs where a subset of the leadership group met and told really awful, distasteful jokes at the expense of women and other marginalised groups?' Answer: 'No'. Much as the reaction to the Trump Tape was predictable and swift, the answer is really, clearly 'No'. It's obvious. Of course, we're doing much to address the obvious, which is good.

Let me ask you two more questions. Is it okay that women get interrupted many more times than men in meetings? Is it okay when a woman makes a good point in a meeting, the conversation moves on and then the point is repeated by a man two or three speakers later,

1 100 Years of the Public Service; speech by Senator the Hon Amanda Vanstone, 21 June 2001: http://www.formerministers.dss.gov.au/4851/100-years-public-service/

everyone congratulates him on what a good suggestion he's made? What's the answer? 'No, it's not right'. While it isn't obvious, both practices remain common, even in workplaces where there is apparent gender balance, and I know you'll find this hard to believe, to people like me. I know. Hard to believe. Sheryl Sandberg, of Facebook and Leanin.org, has written about how women speak less in meetings, not only because they're often 'manterrupted' but because women are actively punished for making themselves heard. We need to notice these behaviours, and just as Donald Trump was called out for interrupting Hillary Clinton 51 to 17 times in the first debate during the 2016 US election campaign, we need to make sure we call out these behaviours.

To do this, here's my suggestion: introduce a 'no interruption' rule. It's easy. Let everyone have an equal say. It's just not that hard. I still go to too many meetings where there are very few if any women, and then they say nothing. If you work, and this is not everybody, but if you work in a male-dominated part of the service, take women with you to meetings and ensure they get a say.

Finally, we need 40-40-20, which is a minimum of 40 per cent of each gender, to ensure that there is balance in each and every workplace.

Don't just agonise about not having enough women to promote to the SES. Find women in the EL cohort who you will target for promotion in the next two years. Give them the experience to make sure they make it. Don't negotiate this, just do it. Others have.

The 'we' in these remarks now becomes 'you' and so, let me summarise.

Don't just do a job.

Be a professional and keep up professional development.

Be heard and worth listening to.

Be brave but not crazy, and manage risks so you can actually deliver real things without losing your briefcase.

Be a steward of the present APS, its role and values, and the future.

Care about quality and stop interruptions.

For me, I'm taking a much-needed break, but to the person who suggested yesterday that I could now make Trevor's lunch, can I say, 'Really?', that will be happening only after I start ironing his shirts.

Thank you.


Institute of Public
Administration Australia
ACT Division

IPAA SECRETARY SERIES

NATIONAL PORTRAIT GALLERY
TUESDAY 25 OCTOBER 2016

Digital disruption and a culture of innovation

Dr Heather Smith PSM

SECRETARY, DEPARTMENT OF
COMMUNICATIONS AND THE ARTS

'Not only do we in the public service need to embrace disruption in service delivery and in our citizen engagement, we also need to embrace disruption in how we work together to provide policy advice to government.'

I too would like to begin by acknowledging the Ngunnawal people, traditional owners of the land on which we meet and pay my respect to elders both past and present. I extend this respect to all Aboriginal and Torres Strait Islander peoples in attendance today.

It's a pleasure to be here as part of the Institute of Public Administration Australia's Secretary Series. It's also rather intimidating to be bookended by Jane Halton, as the previous Secretary to address IPAA, and by Dennis Richardson, as the next Secretary to address IPAA – two highly respected Secretaries who have made such enormous contributions to public policy and organisational leadership.

And thank you to the National Portrait Gallery, a Communications and the Arts portfolio agency, for hosting us today.

A few weeks ago, Twitter announced it would stream the 2016 Melbourne Cup. For the average citizen the implications will barely register. It's just another way to watch 'The Race that Stops a Nation'.

For my Department, this development illustrates the digital disruptive environment in which we live. Immediately, we start thinking about:

- How will television broadcasters respond to this new competition?
- What impacts will this have on online gambling?
- How will people watch the race if they are in a location which has patchy telecommunications network connectivity?
- What are the cultural implications of this development given the nation no longer needs to gather physically in communal locations, nor indeed actually stop to watch the race?

One, seemingly small, development in watching a race which has been run every year for 155 years – and, yet, everything is different.

This is our world – the world of the Department of Communications and the Arts. It's also increasingly becoming the world for many other portfolios as the disruption of industries through the use of digital technologies permeates our society.

Today I want to talk about this dynamic public policy environment that is the Communications and the Arts portfolio in the digital age – the rapid changes taking place in these sectors, and the implications for how we advise government, and how we as the APS need to work together in the digital era.

THE PORTFOLIO

I was appointed as Secretary of the Department nine months ago.

The first thing that struck me about the Department was that, despite our relatively small size, the breadth of our work is enormous, as is the potentially transformative role of the sector in terms of economic and social wellbeing. We work on arts, broadcasting, copyright, classification, digital, radio, spectrum, and telecommunications. We have 18 portfolio agencies covering two Government Business Enterprises: NBN and Australia Post; the national broadcasters: ABC and SBS; the regulator: Australian Communications and Media Authority; the Office of the Children's eSafety Commissioner; and 12 portfolio arts institutions, including for example, the Australia Council, Screen Australia and the collecting institutions that are based here in Canberra.

In other words, our portfolio touches every household and business in Australia – a remarkable phenomenon but probably little recognised outside of my Department.

Even more important is that both the communications and arts sectors are exposed to the challenge of the digital economy, as well as being critical to the nation's long-term productivity and growth.

'... the disruption of industries through the use of digital technologies permeates our society.'

Taken together, the communications and the arts sector has a significant economic footprint. They account for around 3 per cent of GDP and, at the current rate of growth, could overtake the contribution manufacturing makes to the nation's GDP in the next decade.[1] Deloitte Access Economics estimated the size of Australia's digital economy in 2013–14 as $79 billion in nominal terms, which equates to around 5 per cent of the economy.[2]

The two parts of our portfolio have strong synergies and complement each other well. And after five machinery of government changes in eight years we think arts is now back in its natural home!

In fact, Minister Fifield has described the two parts of our portfolio as 'the sinew and soul' of the nation.

The 'sinew' – the communications sector – is the essential infrastructure and connectivity that is critical to Australia's future, knowledge-based, innovative economy. It is the underlying driver and enabler of the digital economy and hence crucial to Australia's economic and social transformation.

The 'soul' refers to arts and culture. This sector has intrinsic value in itself – it helps us understand our past and divine our future. However, what many may not realise is that the creative sector holds enormous potential as a driver of economic growth.

THE SINEW

Let me talk first about the 'sinew' and disruption.

The sinew is the communications infrastructure: the networks, fixed and wireless, that helped Australians download around 2.1 million terabytes of data in the second quarter this year3 – which, I am told, equates to around 450 million DVDs. And the NBN is the highest profile of these. But to understand the significance of communications infrastructure, and the policy challenges associated with it, one needs to understand some of the history.

Communications networks have connected Australians to each other and to the world since the 1870s when the telegraph was first rolled out in Australia. Until the early 1980s, when mobile phones first appeared, and limited competition was introduced, it was fixed telephone services delivered by a government-owned, vertically-integrated monopoly. In the 1990s, as part of the wave of micro-economic reform, the telecommunications market was liberalised, and the internet emerged from the research community and made its appearance as a consumer service.

1 Australian Bureau of Statistics (2016) *Australian System of National Accounts, 2014–15; Australian National Accounts: Input-Output Tables, 2013-14*; BCR calculations

2 Deloitte Access Economics (2015), *Connected Continent II: How digital economy is transforming the Australian economy*

3 Australian Bureau of Statistics (2016), *Volume of data downloaded, 8153.0*, June

The reforms of the 1990s eventually saw hundreds of companies enter the market. But the dominance of the former government-owned monopoly, Telstra, remained. In fact, Telstra was arguably one of the most integrated (and dominant) telecommunications companies in the world. Telstra owned the copper telephone network, the largest pay TV network, the most extensive mobile network, had the largest market share of internet customers, mobile phone customers, fixed telephony customers, and it owned half of the largest pay TV company and HFC cable network.

This has now changed with the NBN, which is uniquely established as a wholesale only, open access national network. The full implications of this unprecedented structural change will emerge in the next few years as customers are migrated from Telstra's copper network onto the NBN.

The Department's focus for the last few years has been on the planning and construction of the NBN. But we are now entering a phase where our role and focus is shifting to:

- the consumer experience; and
- the enabling impact of high speed broadband in various sectors across the economy.

These two areas of focus are not NBN specific, they quickly lead to broader policy considerations for the Department that affect both the content or media part of the communications industry and also the creative industries.

Another critical enabling infrastructure is spectrum and wireless communications networks. Australians are high users of mobile and wireless communications services. The average Australian now spends 24 hours per week online,[4] lives in a household that has between eight and nine internet connected devices, and uses the internet to access email, search, weather, news, banking and social media services on a weekly basis. This level of constant interconnection is resulting in growing citizen expectations that they can access the services they want, when they want, on the devices they already own, with ease and speed.

Mobile technology is a key driver of this trend. Over the past five years, Australia has witnessed a significant growth in the number of mobile services, including phones and other wireless internet devices. Mobile phone subscriptions (such as the iPhone, Windows phone and Android based devices), in particular, have risen by around 38 per cent, from 16 million in June 2012 to 22 million in June 2016.[5] In 2015, Australia was ranked by Deloitte as the eighth highest market in the world for penetration and adoption of smartphones.[6]

Spectrum is everywhere. You can't see it, you can't feel it. But we use it and rely on it all the time. Spectrum is used for our mobile phone networks, to broadcast television and radio services, and by our home wi-fi routers. Spectrum is also used by your television remote control, to open your garage door, to unlock your car and even by your microwave oven. Less obviously, spectrum is used for things such as air services or for weather monitoring, and by our defence force.

So spectrum is a valuable natural resource, albeit not one that we can dig up and ship to other countries. And it is a resource in high demand from a competing range of users. Of course not all spectrum is created equal, so there are particularly high demands for spectrum which can carry large amounts of data and travel distances.

Pricing of spectrum is an obvious, and widely used tool to drive efficient use of this natural resource. But pricing alone does not address the public policy dilemmas and trade-offs that are required. The increasing value of spectrum to

4 Nielsen (2016), *Australian Connected Consumer Report 2016*, March

5 Department of Communications and the Arts, Bureau of Communications Research (2016) *The communications sector: recent trends and developments*, October

6 Deloitte, *Mobile Consumer Survey 2015 – the Australian Cut: Life's smarter than you think*

the economy and society, rapid technological change, including the increasing demand for spectrum in response for 5G and the Internet of things, will only put pressure on spectrum resources and how they are used.

DIGITAL DISRUPTION

While networks, fixed and wireless, are evolving, uses of the networks are also exploding – and it is this explosion in uses, this digital disruption, that is challenging some of the regulatory frameworks and forcing a rethink of how to deliver on consumer and society's expectations.

Netflix and Spotify are just two examples of 'over-the-top' on-demand content services. Channel 7's 36 online channels of live Olympics coverage, Optus' exclusive online distribution of the English Premier League, and Twitter intending to show the Melbourne Cup are also examples of online distribution of content that, until recently, could be made available to a mass audience only on a broadcasting service.

What defines these 'over the top' services? They all use the internet. They can be accessed through any internet service provider over any network. They can be accessed through any device – you can watch Netflix on your phone, on a tablet, on your laptop or on your television. They are disrupting traditional broadcasting and media businesses. Eight months after Netflix launched in March 2015, it had 1 million subscribers. By May 2016, this figure had risen to more than 1.8 million.[7] More broadly, the number of subscription video on demand subscribers in Australia is expected to reach 4.7 million by 2019.[8] By contrast, audiences for television broadcasters are on the decline. Prime time evening audiences in the mainland capital cities fell by almost 8 per cent over the four years to 2015, and there have been further declines so far in 2016.[9] The advertising revenue for commercial free-to-air broadcasters also shrunk by over 7 per cent nationally, and over 10 per cent for regional commercial television broadcasters, between 2010 and 2016.[10]

7 Roy Morgan Research (2015), *2.677 million Australians have Netflix as subscriptions surpass one million homes*: Press release, 12 November; Roy Morgan (2016), Subscription video on demand statistics, June

8 Ovum (2015), *Australian OTT video – creating a new TV market*, November

9 OzTAM, Primetime Audience for the Free to Air channels Wks 1–52 (2011–2015), Wks 1–40 (2016), Sun–Sat 1800–2400, 5 City Metro, Total People, Consolidated 7, Commissioned research. May not be reproduced, published or communicated (electronically or in hard copy) without the prior written consent of OzTAM

10 Free TV Australia, Ad Revenue for Commercial Television Networks, 2010–11 to 2015–16, media releases (various)

WhatsApp, Facebook messenger, Viber are also 'over-the-top' communications services. They have completely disrupted the traditional integrated telecommunications company hold on short messaging service. Not only have they taken market share, they have driven the price down to free. And they are now edging into the voice communications business further disrupting the traditional telecommunications companies.

Of course digital disruption is not confined to the communications sector. The examples have become clichés but Uber and the taxi industry, Airbnb and the hotel industry, or, some older examples, eBay and retail or Paypal and payments. These are global businesses, platform business, and businesses selling a service – thus Uber does not need to own cars, eBay doesn't need any inventory, and Airbnb needs no hotel rooms.

So to the public policy challenges. The delivery of content and services is redefining business models, consumer expectations, the regulatory environment, and the role of government. And in a few years from now consumers will have even more choice of content, devices and services. The NBN will have been rolled out, the deployment of 5G mobile services will be underway, and the highly anticipated Internet of things age will have arrived.

But as I've already outlined, the media sector is operating in a disrupted environment now: the revenue models of incumbents are under significant pressure; unregulated players are gaining market share; and public expectations are high that the domestic broadcasters will continue to deliver long-held economic and cultural objectives by investing in underlying digital infrastructure and local content.

Yet much of our media and telecommunications regulatory frameworks are out of date, being by-passed by some sectors, while continuing to impose costs on regulated entities. We have regulatory regimes and policy frameworks that never envisaged voice telephony services being delivered by companies with no networks. And our content regulatory arrangements are largely premised on traditional broadcasting.

This is a genuine and fundamental policy challenge. On the one hand there are arguments for a comprehensive rewrite of communications law and regulation – bringing together into a single framework the telecommunications, broadcasting and content regulation. On the other hand, such a task would be overwhelmingly complex. Our current approach of black letter law arrangements have led to a number of review processes that are already underway covering spectrum, media and consumer safeguards frameworks.

However, the government has made it clear that in responding to disruption in the communications sector, we must start looking at the sector in a new way and view it as consisting of horizontal layers of activity, rather than vertical silos of industry or devices. We need to see services as platform and technology agnostic. And we need to understand that the sector operates in a dynamic global market.

'Digital technologies have not only increased the demand for creative workers, they have also enabled the creation of new arts and cultural businesses and new ways for reaching audiences.'

Yet in advising government our toolkit has not changed over the past two decades – regulation, taxation, funding, education and awareness raising. So our reliance on one tool over another may need to change; as will how we approach reform: instead of incremental, sectoral-based approaches we need to think of reform in the context of an ecosystem.

That in essence is what Minister Fifield has asked us to begin work on – to think about a communications policy roadmap centred on a principles-based framework for communications policy. This roadmap will be the first look at the overall policy framework in nearly 20 years, since the introduction of competition into telecommunications in the late 1990s.

The roadmap will set out enduring policy objectives in the communications sectors centred on ensuring all Australians have access to reliable and resilient communications services and also to diverse Australian content while, at the same time, protecting citizens from harms associated with using these services.

One particular challenge that this framework might need to grapple with comes from the nature of the internet itself. When is it practical, efficient or effective to try and regulate the global over-the-top platform businesses? Businesses like Google, YouTube, Facebook or Twitter.

The image of these internet companies is interesting. They are talked about as if they were innovative startups. Innovative they may be, but startups they are definitely not. In the digital, communications, technology world, Google could be seen as a diversified multinational incumbent.

What is remarkable about these companies is the speed with which they have grown to dominate their particular market or markets; the way they have changed markets and market structures; and, in some cases the speed with which they can decline – think of Yahoo in recent times, or Myspace in an earlier digital era.

THE ARTS – THE SOUL

On the other side of the portfolio, the soul, we have the cultural and creative sectors. Cultural and creative activity (through the communications and arts sectors) contributes around $46 billion a year to the national economy.[11]

Far from resisting digital disruption, this sector has embraced it – perhaps more than any other sector of the economy. The arts and cultural sectors have innovation and creativity at their core – originating ideas, wrestling with risk and failure, constantly experimenting and collaborating, creating new intellectual property, and embracing and responding to the new. For example, our national collecting institutions are estimated to hold more than 9 million objects in their collections. Yet previously these works could only be viewed in Canberra. Using innovative technologies, institutions can now reach more people through virtual tours and online collections. Take the National Portrait Gallery – more than 74 per cent of its collection can now be viewed online. There's also the National Museum of Australia, which has two robots that allow students across the country to take virtual tours from their classrooms and experience the collection in an interactive way.

New technologies are also helping us to tell our uniquely Australian stories and preserve our heritage. For example, the Yugambeh Museum in Queensland has developed an Aboriginal Language App, which features approximately 1000 words, phrases and images in seven Aboriginal languages.

Many professional artists are also producing disruptive works that crossover into other sectors and perform multiple functions. For instance, the Melbourne-based artist and designer Leah Heiss has created a 'diabetes neckpiece' which is both aesthetically pleasing and doubles as a syringe that can painlessly and discreetly administer insulin using nanotechnology.

11 Creative Business in Australia, *Learnings from the Creative Industries Innovation Centre*, Creative Industries Innovation Centre, 2009–15

DIGITAL DISRUPTION AND A CULTURE OF INNOVATION – DR HEATHER SMITH PSM

Secretary, Department of Communications and the Arts

In an age when innovation is one of the strongest currencies there is, creativity is an essential skill and it's one we must embrace if we want to take full advantage of the opportunities of the digital age.

The creative and cultural sectors are making, and will increasingly make, an important contribution to the transition of the Australian economy. Digital technologies have not only increased the demand for creative workers, they have also enabled the creation of new arts and cultural businesses and new ways for reaching audiences. For example, the Australian games development and screen production sectors have contributed to the development of new technologies which are exported globally and which have application beyond the games and film industries in areas such as health, education, building, manufacturing and mining.

DISRUPTING OURSELVES

Of course, we in the APS know we need to be innovative and also embrace disruption.

To help drive innovation within our organisation, my Department has launched an internal Innovation Strategy that outlines our vision for the Department and explains how we will measure our success against these goals.

In developing the Strategy, we consulted extensively with the public and private sector. A strong message was that building and maintaining a culture of innovation relies on strong leadership and a supportive environment. That's why we now ask our SES to demonstrate in their performance and development agreements how they've supported and shared innovation.

Earlier this year, we also launched our Ideas Incubator, which gives every staff member a leading role when it comes to driving innovation internally.

In the digital age, government agencies must also embrace programs, tools and platforms that encourage greater flexibility and agility in the workforce. Within the Department, staff now have access to the latest technology and can seamlessly and securely interact with anyone, anywhere, at any time. All staff are provided with a mobile device that can connect and provide the same user experience, whether they move around the building or are working externally, as they would if they were working at their desktop. We have also launched a Digital Literacy Training Program designed to enhance our staff's understanding and use of digital technology.

We think it's also essential that we keep abreast of new markets, technologies and trends. The former Secretary, Drew Clarke, established the Bureau of Communications Research which is now nearly two years old. It provides us with economic and data analysis, and research on communications and arts portfolio issues, as well as collaborates across government and outside of government.

A practical example of developing a culture of innovation is the Department's development of a 12-month pilot of a tool that allows game developers to submit their own games for classification online. So far, the tool has allowed more than 450,000 games to be classified. This has resulted in classification information being available to consumers where it previously was not, and provided storefronts with a simple and low-cost way to comply with Australia's classification requirements. The tool is being evaluated, and recommendations will be provided to the Minister in the coming months.

My Department is not unique in this innovation journey. But we are uniquely at the interface of digital disruption: some of our portfolio agencies are in constant disruption; some are the disruptor; and some are thriving on disruption.

So, as a Department, we can't just be commentators. We have to be agile in our thinking, curious in understanding the environment we work in, forward looking in our advice, and entrepreneurial and collaborative in seeking solutions. And it means keeping in mind the bigger policy picture.

And finally this brings me to one of the most important policy questions we collectively across government should be focused on – the so-called 'digital paradox'. This 'paradox' has been well documented: multifactor productivity growth has been flat since the mid-2000s as the reforms of the 1990s, along with the marriage of computing and the internet are thought to have run its course.

Even so, micro studies suggest substantial benefits from digitisation at the enterprise level. So the key question may not be whether digitisation has the capacity to impact productivity growth, but what are the blockers to this occurring soon, and on a widespread basis; and what is the role of government in addressing the blockers. This becomes particularly important given the likely productivity potency of the next interaction of elements of digitisation such as 5G, the Internet of things, big data analytics, artificial intelligence and robotics.

To capture the productivity potential the whole ecosystem must work. Remembering that there is no central point of control or influence over the digital ecosystem, means there is work for many of us in getting it right.

In the communications and arts portfolio we are looking at things like reforming the management of spectrum into a single, flexible, licensing framework. But there is much beyond our portfolio. The policy and regulatory settings around privacy and the rights of use of data will be important. Making sure that frameworks for managing liability can facilitate the use of artificial intelligence or the wide scale adoption of driverless cars will matter. Ensuring that digital services are secure and resilient will also be critical. And as we grapple with these things across the public service, we will have to balance our advice between establishing rules and regulations to give confidence and ensuring innovation and opportunity are not stifled.

So, to conclude, not only do we in the public service need to embrace disruption in service delivery and in our citizen engagement, we also need to embrace disruption in how we work together to provide policy advice to government. And to do this we have to continue to foster a culture of collaboration and curiosity, and challenge ourselves whether our policy frameworks and approaches are fit for purpose in a digital era.


PROMOTING EXCELLEN
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Institute of Public
Administration Australia
ACT Division

NATIONAL PORTRAIT GALLERY
WEDNESDAY 9 NOVEMBER 2016

Prime Minister's Awards for Excellence in Public Sector Management

Senator the Hon Arthur Sinodinos AO

CABINET SECRETARY, PARLIAMENT OF AUSTRALIA

'We need to keep rebuilding that in-house expertise.
I think that's very important.'

I'll begin by recognising the traditional owners of the land on which we meet, the Ngunnawal people, and thank you to all of you for being here tonight.

Yes, I began life as a public servant in the Department of Finance in 1979. The thing that immediately struck on joining the public service was while I'd had a certain amount of academic training in economics and commerce and all the rest of it, I really started to understand what you need to know when I became a public servant. I had to put that sort of training into operation. I could then look back on my academic training and figure what had been useful and what hadn't been useful. In many ways it was the most basic elements of that training which were the most important. But the bit that was particularly useful, I think when I became a public servant, was the faculty for critical thinking.

One of the things I want to pass onto you tonight is that I know this can be a difficult time to be a public servant. There are resource constraints. There are time constraints. Everything seems to be needed yesterday and I never cease to be amazed when I see the quality of work that comes up to the hill under what can be the most difficult constraints, I think particularly when there are Cabinet or committee processes under way, Expenditure Review Committee probably being the best example. But the point is we see on the hill the tip of this great iceberg which is the public service.

Politicians perhaps aren't as good as they should be at recognising the need to keep investing and developing that capacity. Yes, we've been under, as I mentioned before, budget constraints. We've all had to become more efficient and all the rest of it. But one of the things the Prime Minister is being encouraged to pursue over this term is how we invest more into the capability of the public service. Because as he said in his message, we've got a huge number of challenges coming at us and among other things these days we've got a lot of people out there who are stakeholders who can get access on all sorts of modelling, all sorts of lobbying, all sorts of ways of trying to influence processes, and we need a strong public service which is a bit like the ringmaster that can sit at the centre of the process and sift through all of this and help the executive and help the political class make the right decisions.

There has to be someone there who can figure out which facts are right and which information is wrong. There has to be someone there who can help politicians exercise the right judgement, by defining in a critical but important way, what the issues are that actually have to be considered. What is it we are asking the politician to make a decision on? I often tell this story about Henry Kissinger. When he was at the National Security Council, he kept on returning briefings until they came back to him on one page. Because he said he wanted to make sure the office had thought clearly about why they were writing this. What were they seeking to do?

'Whatever the political complexion of government, without you we cannot do our job no matter how much we may huff and puff. But the thing we've got to do is recognise how we can make your job easier and more effective.'

What was the decision they were seeking to get out of people? By thinking about it they may even decide 'you know, we don't actually need to send this up in this way' or 'maybe this is not the decision that needs to be taken at the moment'. But part of your process, part of what you do is to help guide all of that process.

There's been a lot of talk in recent times about innovation and agility and being smart and jumping round like Mexican jumping beans in response to all sorts of things that are happening. We've got to be all innovative and agile, but I come back to where I started. We also recognise that to help you to be innovative and agile we do have to, I think, provide more resources for things like capability and improve the capability that's available.

The other point I want to make to you about the public service is one I also noticed when I was working in the private sector. You can have a great strategy but if you cannot get the strategy implemented or you botch the execution, there's no point. Often in the private sector I saw CEOs fall in love with the latest strategy and they go off with that. Then after a while it's a bit a like kids – interest would just tail off, we'd be back where we started, etcetera. Because there hadn't been the same commitment to execution.

One of the lessons I draw from the United Kingdom experience is that over the last five years under the Cameron Government, in the Cabinet Office there has been a concerted attempt to improve the project management capabilities of the UK Government. They did this by investing in project management expertise within the public sector. Not just seeking to outsource everything or outsource expertise, but actually build or rebuild the internal expertise. In fact at the moment we're looking at how we do this within the public sector here. We need to keep rebuilding that in-house expertise. I think that's very important.

We've also got some insurgents in the public sector. One of them is named the Digital Transformation Agency, which is normally about better service delivery, and how we use data to improve service delivery. We improve the efficiency and the effectiveness of our investment and information in communications, technology and so on. But I call them insurgents because I don't think you can do that without also looking at the way services are delivered. What structures you do it through and importantly, how do you provide the framework for people to perform at their best?

PRIME MINISTER'S AWARDS FOR EXCELLENCE IN PUBLIC SECTOR MANAGEMENT – SENATOR THE HON ARTHUR SINODINOS AO
Cabinet Secretary, Parliament of Australia

'There can be great practice or great innovations in some parts of the system. How do we make sure other parts of the system learn about that and benefit from that and can adapt it in their particular part of the public sector or public service? I think it's very important to get that sort of cross-fertilisation.'

I'm not just thinking about monetary incentives, but also the whole way in which work is organised in the public sector to get the best results and also allow public service managers to put themselves, where possible, in the shoes of the people they are serving. Particularly when we're dealing with the community, whether it's through Human Services dealing with the broad range of the community, welfare payments, health payments and the like, or whether it's dealing with business and how they navigate the various parts of government and how they get assistance. So I think that's a very important process.

You hear a lot about how we've got to give people – innovators in the public sector or the private sector – permission to fail. Well what that means in practice is that as a political class, and I include in this Senate Estimates, there's got to be a capacity to accept that if you innovate and experiment, it's not always going to succeed. There's got to be some leeway to accept that failure will occur.

The only condition is that we learn from failure. If you go to Israel where the Chief Scientist has quite a big venture-capital pot, he or she is quite happy to invest all over the place and quite happy when things don't always go according to plan. As long as the person learned something from the process so when they come back they're more likely to succeed. We have to have more of that culture here and the reason I mentioned Senate Estimates is because to me it's emblematic of all the accountability in mechanisms we put around you and we have to make sure that those accountability mechanisms are not only making sure the money is well spent but they're also recognising the broader goals we are now seeking from our public service.

Let me say something about how we learn from each other because I think one of the great challenges we face – and tonight is a good example of trying to overcome that challenge – is how we learn from each other. There can be great practice or great innovations in some parts of the system. How do we make sure other parts of the system learn about that and benefit from that and can adapt it in their particular part of the public sector or public service? I think it's very important to get that sort of cross-fertilisation. There are some things here around the management of major projects, that in my day job as Cabinet Secretary, I'm going to come back to with my colleagues within government because we're very keen to create that a sense of excellence in project management.

So, ladies and gentlemen, I'm not going to sermonise too much longer. When I was looking at my calendar or diary and thinking about what I'm going to do today, I thought this would probably be the highlight of the day. I'm not saying that with any sense of irony. Because honestly you are doing the work of government. Whatever the political complexion of government, without you we cannot do our job no matter how much we may huff and puff. But the thing we've got to do is recognise how we can make your job easier and more effective.

So thank you for everything that you do. I think this is a really good night. I've had a look at the list of the winners. I think it's a really good list. It reflects the diversity of achievements across the public service. So enjoy the night, have a drink, do some networking, and again thank you for everything you do.


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HOTEL REALM, CANBERRA
THURSDAY 10 NOVEMBER 2016

Thinking Big

Frances Adamson

SECRETARY, DEPARTMENT OF
FOREIGN AFFAIRS AND TRADE

'In the international domain, we are looking to protect, and promote, and enhance Australia's interests.'

I'd like to thank you very much for inviting me to speak today. You may have noticed that I had some prepared remarks. I've left them in my handbag, because there are some times in life, and today is one of them, where I think we have to consider the bigger picture. My mind today – and overnight including I suspect while I was sleeping – is very much out there in the international domain trying to think through the implications of a Trump presidency. DFAT, I'd like to think, was equally well prepared for both outcomes, and certainly our Embassy in Washington has had contact over a long period of time with people likely to be part of the Trump transition team.

Let me try and bring some of those external ideas into this room, and say some things that I hope will be relevant to you. The overall subject of this session is 'Thinking Big'. I don't want to be too literal about it, but it obviously has two parts. The first one, the thinking part of it, I think is something that all of us, me certainly, find difficult to do in the jobs that we're doing. We've all got busy agendas. We've all got lots of pressures. We're all working in a very dynamic environment.

My hunch is that the fact that so many of you have come here today means that you understand the challenges of thinking big. That you want to do it better. That you're hoping to be able to pick up some practical ideas about how to do it. It may be that some of the most practical ideas you'll hear will come through in your discussions around the table and in coffee breaks. I hope you'll get at least something from panel members. Carving out time to do it of course is something we all find hard but institutionally we need to be doing it. Institutionally and individually.

Of course DFAT's big opportunity to do this institutionally is in the development of the White Paper that the Government has charged us to complete. In the international domain, we are looking to protect, and promote, and enhance Australia's interests. We've been asked to look ten years out. This needs to be very credible and it needs to be done on a whole-of-government basis.

One of the things which is very clear in my mind as Secretary is that DFAT needs to continue to build on, and deepen, the linkages that we have with departments and agencies domestically. The world has become a lot more globalised.

'The big things we're going to be thinking about are how to continue to develop and create an environment in our region where we are secure, where economies can continue to grow and prosper as relative power shifts from west to east.'

When I joined DFAT in 1985, we were the principal department, one might almost have said the sole department, focused on international developments. Increasingly over time, each of you in your departments and agencies has taken on more of that role. Not just in an incoming sense, but in an outgoing sense.

The Australian Public Service, across the board, is deeply – and needs to be even more deeply – embedded in what's going on out there. Firstly, so that we know what's happening, secondly, so that we can help shape it, and thirdly, so that we can respond domestically to the challenges and opportunities that we see.

The big things we're going to be thinking about are how to continue to develop and create an environment in our region where we are secure, where economies can continue to grow and prosper as relative power shifts from west to east. There is a question I suppose: has what's happened overnight in the United States hastened that process? It's way, way, way too early to tell, but the process does ebb and flow. All the while, to build on that metaphor, all the while the tide in the Asia Pacific, and the Indo Pacific from Australia's point of view, is continuing to rise.

In the White Paper, we will also be seeking to address how to respond to the forces of protectionism. They are uppermost in our minds this morning as we reflect on the US election result. We also need to be looking at how we target better our development assistance.

That challenge comes against the backdrop of an Australian community which, while it is prepared to lend support to helping those in poverty particularly in our region, nevertheless, at a time when our budget is under pressure, when we're going through a budget repair process, and when there is a growing demand for services, whether in schools, or hospitals, or for income support, is asking why we do this. One of the points I want to develop is the question of public trust. It's the way we relate to, interact with, seek to explain and take on board public views.

I recently went through my first – in this role, and indeed my first for a very long time – Senate Estimates. At the end of 12 hours in the chair, which I've got to say it was physically taxing more than anything else, I asked one of the new DFAT graduates, who'd been working with us throughout the day, what was his main take of the day? He reflected for a minute and he said, 'What I take from this is the view that we have within the Canberra beltway' – that term itself being relatively new for us – 'is not the same as the views that Senators bring to Senate Estimates from their parts of Australia'. I don't need to go into that in any more detailed fashion, but I thought it was interesting that that was his main take.

Now DFAT staff get out into Australia for a variety of reasons. One of them is in seeking to explain and advocate for our free trade agreements. That's a big, big job going out into town halls across Australia hearing what people have got to say about the benefits, and in some cases the very significant adjustments, and the dis-benefits that flow from a relatively liberal trading regime. We've got a big job to do, a big advocacy job to do around the world. We always have as a country in terms of the trade liberalisation agenda, but we'll need to continue to do it. I think there'll be a number of conversations that we want to have in Washington.

I don't want to just talk about the environment out there, but I do want to give a couple of tips. One of them is that I come to this role, and I think looking around the room it's pretty evident that you do too, fully persuaded of the benefits of diversity, and the obligation that we have to draw on a diverse workforce, to encourage a diverse workforce.

People see things in different ways. We in DFAT cannot possibly provide the advice that we provide to our government, or be effective internationally unless we are broadly representative of the Australian people, unless we can draw on a wide range of experiences, and thoughts from our own workforce. We'll be doing more of that.

Secondly, innovation is a big subject in its own right. We have an 'innovationXchange' which the Foreign Minister Julie Bishop is very proud of. We've been doing a lot of things in that area including running staff 'ideas challenges' which have contributed to me returning to a very different department from the one that I left. A lot of those ideas I should acknowledge have come from former AusAID colleagues.

I'll simply end by saying in addition to diversity and in addition to innovation we have a big job to do domestically, and internationally. Not just DFAT, but I think all of us in terms of advocacy, persuasion and networking. That challenge is ever clearer today. Even clearer today than it was say yesterday morning. Thank you very much.


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HOTEL REALM, CANBERRA
10 NOVEMBER 2016

The Role of Government in Innovation

Glenys Beauchamp PSM

SECRETARY, DEPARTMENT OF INDUSTRY, INNOVATION AND SCIENCE

'When you look at the history of the most innovative nations on earth, the government has often been more than the facilitator. It has been the catalyst and exemplar in shaping markets in the future.'

I want to talk a bit about the role of government and what we can do as organisations but also more importantly what we can do as leaders in the public services that are represented here today. It's great to see all levels of government represented here and people who've travelled far from Tasmania and other places, so thank you very much for that.

Picking up on comments this morning, in terms of Australia, there have been 25 consecutive years of growth. 'What's your problem?' people might ask. In terms of maintaining living standards, improving productivity and ensuring we're globally competitive, we do have to increase our productivity and the way we work. The OECD has already pointed out that as much as 50 per cent of long-term economic growth comes from innovation. I think there's obviously a business imperative to do that.

What is the role of government in this process? Primarily, having come through the Industry Commission and in the portfolio that I'm in, most of us economists talk about our involvement as addressing areas of market failure. For example, access to information, developing a skills base, ensuring we've got a good regulatory framework, that the macro frameworks for operating are effective. In this sense, the government is very much a facilitator. We provide the enabling environment, getting the regulatory, tax and workplace relations systems working well. It's a key challenge and something that we need to ensure brings out the best we possibly can in both business sense and community sense. Government also has a role in investing in research, education and training.

We are also addressing, particularly in our portfolio across government, other areas of market failure; that is, the provision of access to information, access to data – and I'll get on to the data issue in one moment – but also connecting key players and the importance of that interconnectedness right across our economy.

Our role in the innovation area has also seen the government as a bit of a catalyst. We've seen the National Innovation and Science Agenda, launched last September by the Prime Minister, and he said, I think, that this is the start of a process. Indeed, even the announcement about the National Innovation and Science Agenda had a significant impact on the economy. I think people started to talk more about being entrepreneurs and starting up your own companies and being more innovative. There definitely was an announcement effect. Our role in government is to embed a culture of innovation not only across the Australian Public Service but also across industry and business as well. That government is one of the catalysts is particularly important.

We heard and we see in the National Innovation and Science Agenda that government is an exemplar, and the Prime Minister's expectation is that the government is to be an exemplar. I must say I feel under a huge amount of pressure in my portfolio with 'innovation' in the department's name: if we are not leading by example, by showing the rest of the public service what is possible and also walking the talk in terms of what we are asking businesses to do, then I think we are failing.

'In terms of big data and the digital transformation agenda, opening up our data sets is very important, not only to ensure we've got a robust evidence base but also to provide the opportunity for innovation to occur.'

Being an exemplar means using the government levers that we have, rather than unnecessarily creating problematic confetti around procurement, and around the tax system. For example, we administer with our Taxation Office the Research and Development Tax Incentive, an over $3 billion full grown revenue initiative that provides $18 billion of R&D in the business sector. We do need to do more about what we're getting in terms of that impact, and we are going through that process with the recent review.

We're also investing in areas where we do have a competitive advantage and we can develop markets. I must say that the Business Council of Australia has been instrumental in changing the way we've looked at industry policy and business assistance and focusing much more on an investment strategy, using our levers and looking at where we can make a difference globally.

When you look at the history of the most innovative nations on earth, the government has often been more than the facilitator. It has been the catalyst and exemplar in shaping markets in the future. Catherine Livingstone spoke about Apple: when I looked at some of the research and development initiatives of Apple, many of the innovations and the revolutionary technologies actually came from government-funded activities, such as through DARPA.[1] And Siri and GPS are funded by government initiatives in the US.

Closer to home, some areas that we're investing in, for example the Square Kilometre Array Project – a global collaboration in astronomy and engineering, 12 countries involved, of which we are one – will prove an absolute game-changer in terms of being at the forefront of big data developments. Other things that were picked up in the National Innovation and Science Agenda were quantum computing – where the government has invested $25 million and we see it as a leading example of what Australia's got to offer the world; also financial technology disruption – and when you look at distributed ledger technologies I think the work of the Treasury and CSIRO through Data61 is going to change the way that the government does business and certainly the way we as citizens do business in the future.

1 US Defense Advanced Research Projects Agency

THE ROLE OF GOVERNMENT IN INNOVATION –
GLENYS BEAUCHAMP PSM
Secretary, Department of Industry, Innovation and Science

‘Our role in government is to embed a culture of innovation not only across the Australian Public Service but also across industry and business as well. That government is one of the catalysts is particularly important.’

CSIRO is an institution that has given us so much: they invented WLAN, the precursor to Wi-Fi, and they're doing absolutely wonderful things through some of their breakthroughs. Cochlear, which Catherine Livingstone also mentioned, was funded by the Australian government. In terms of big data and the digital transformation agenda, opening up our data sets is very important, not only to ensure we've got a robust evidence base but also to provide the opportunity for innovation to occur. When you look close to home in the ACT, opening up of government data has allowed for property information to be distributed via AllHomes. Ancestry.com, many weather apps and a myriad of other apps are now using government data to good effect. I think data driven innovation added an estimated $67 billion in new value to the Australian economy in 2013.

Organisationally, what do we need to do? Here are a few examples of things that we've embarked on. We have a branch head in the CIO's group who has started a movement to get rid of stupid rules. We've also established what we call a Biz Lab, with expertise in design thinking and Agile methodologies. I've gone through a tutorial on Agile methodologies, so though I'm not quite up there yet I am trialling new things – I think Secretaries and leaders have to try new things. One of the big things that we're trialling is working with citizens and stakeholders, and we have already talked about collaboration across government. We talk about robust evidence-based initiatives and the like but I think what we're doing now is involving users and citizens, and indeed businesses, in designing programs and looking at how we improve current programs. We've had Biz Lab technology, Biz Lab methodology being used for how we might improve the administration of the R&D system, as an example.

Frances Adamson referred to the innovation exchange and I touched on it earlier, so the purpose of these experiments, happening across government, is to embed a culture of innovation in our organisations.

What can you do? I think we've got to look across the public service at people being our best assets. I think the Prime Minister's Awards for Excellence last night showcased some fantastic work that's happening across all levels of government. I think we need to lead by example in developing the right skills. We shouldn't all be economists. We should be scientists and engineers and design thinkers and the like in the leadership areas. Co-design and working with others is extremely important for leaders; it's not just a hierarchy. In the hierarchy, as leaders at the senior level, it's leadership that we should all be displaying in terms of helping each other and empowering our staff.

Looking at what's possible, I know – and I came through the public service – we had very much a 'can do' attitude. Now I think we'll all be looking at not just 'can do' but what is possible and you've seen what's possible happening in the global environment. I think it's not just looking at the evidence base, but making sure you're internationally literate, knowing what is going on not just in your area, not just in your jurisdiction over the hill. I think the other thing we need to be aware of is that we can have a short term approach. Obviously the longer term approach and why we're here and making sure we've got key platforms for making our job easier and making the decision making jobs a lot easier in the future is where we should be going.

I think leading by example, showing the world what the public service is capable of, and syncing our process a bit more is absolutely fantastic, so thank you.


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HOTEL REALM, CANBERRA
THURSDAY, 10 NOVEMBER 2016

Identifying and Developing Future Leaders

Finn Pratt AO PSM

SECRETARY,
DEPARTMENT OF SOCIAL SERVICES

'We are looking to have a very diverse pipeline of future leaders. We actually think diversity matters.'

To think big and deliver big, the public sector needs to invest in and build its capability. I'm going to address this theme by talking to you a little bit about how the Commonwealth Talent Council is proposing that the APS will identify and develop its future leaders. Just a little background: the Talent Council is a Sub-Committee of the Secretaries' Board. I'm joined by Gordon de Brouwer, your President; Glenys Beauchamp, Heather Smith, Michele Bruniges; Chris Jordan, the Tax Commissioner; John Lloyd and Martin Parkinson are ex-officio members, and we are extremely well supported by Liz Quinn and Stephanie Foster, and the whole team at the Australian Public Service Commission.

Our brief is simple, and that's to identify and grow the future leaders of the APS, to handle the increasingly complex and challenging environments we face over the next 10 to 20 years, so that's pretty straightforward.

We think that nearly two-thirds of senior managers will retire in the next 10 years, so we've got a pretty strong incentive. We started with a clean sheet.

HOW WE ARE GOING TO APPROACH THE TASK

The first thing we did was to examine the strategies of many businesses and knowledge leaders and governments around the world. We looked at a large range of banks, ANZ, NAB, Macquarie, Barclays. We looked at a lot of big companies like General Electric, Phillips, Google, Telstra, some of our big retailers, and also a number of the advisory consultancies that we deal with a lot, like Boston Consulting and McKinsey.

We looked at a huge range of governments as well, in Australia, in New Zealand, UK, Canada and Singapore. This was a great effort by the APSC to extract all this information.

Then we spent quite a bit of time actually drilling in with a small number of these organisations which I'll refer to as exemplar companies. They gave us very confidential briefings on what they do, and then they provided feedback on our proposals.

Can I say, it is fascinating to see how jealous these secret contributors are about their Talent Management Strategies. They are adamant that they are commercially valuable points of difference from their competitors; and so I won't tell you who they were.

KEY FINDINGS

Well, not surprisingly, there are no secret herbs and spices in the exemplar strategies, the common themes and takeaways across them, though, are very clear. Senior management makes huge investments in time, effort and money to identify and assess potential talent; then, again, a huge effort into developing and performance-managing these future leaders. One company, it's a worldwide company, actually has all its senior managers go offline for 7 to 10 days in a row, twice or three times a year to work through how their upcoming leaders are performing, and what they need to do to develop.

One very well-known ex-CEO estimated that he spent 20–25 per cent of his time on talent management. Their process is very structured, very robust and very transparent. Let me give you an example, capability and leadership expectations are clearly articulated at the point of joining the organisation, and then assessed every six months, and that assessment involves managers, direct reports, team and project members and peers, and they all contribute to those appraisals, and they have very sophisticated systems to collect data and then analyse the results. They put enormous reliance on objective data, metrics and analytics.

'Management skills, technical competency and subject matter expertise will continue to be critical skills, but they are not enough in themselves. We also need our leaders to be visionary, influential, collaborative, enabling and entrepreneurial. We see those as the crucial additional capabilities for the future. Of course our leaders need to be self-aware, courageous and resilient.'

Many of them actually use a combination of 360-degree feedback, simulation exercises, psychometric assessments and behavioural interviews in their talent identification processes. It's very substantial.

They've learned not to rely on gut feel, and subjective assessments, because of inherent biases, and spoke about the surprises they find in their data, a potential that was hidden from view because of a person's gender, or because of their current role or life circumstances. They are convinced that their talent management strategies are critical to their organisations' successes. They talk about concepts, like servant leadership, their pride and efforts to mentor apprentices, and how they reward their heroes, the people who actually put a lot of effort into developing their future leaders.

Can I say that we in the APS generally do not make these huge investments, and we do not tend to see talent management in the same way. We certainly do good things in talent management, and we have a huge amount of talent potential, and we develop terrific leaders, but we do not do what these exemplars do consistently, or at the same level of investment. I think those are some pretty clear lessons for us.

OUR PROPOSED APPROACH

We have quite an extensive talent management framework which has been through the Secretaries' Board. Time doesn't permit me to run through it in any detail, but I'll just give you a few extracts from it. We are looking to have a very diverse pipeline of future leaders. We actually think diversity matters. Our approach has to be owned and led by individual secretaries, and agency heads, as well as Secretaries' Board. We need high-level buy-in, and we need a long-term commitment from the senior echelon of the Public Service.

We think that management skills, technical competency and subject matter expertise will continue to be critical skills, but they are not enough in themselves. We also need our leaders to be visionary, influential, collaborative, enabling and entrepreneurial. We see those as the crucial additional capabilities for the future. Of course our leaders need to be self-aware, courageous and resilient.

'We don't think that everyone will be universally strong against all capabilities, and we do actually see that there will always be room amongst our leaders for people who have specialist strengths.'

Now having said all that, can I assure you that we don't expect leaders in the future to be superhuman, we don't think that everyone will be universally strong against all of those capabilities, and we do actually see that there will always be room amongst our leaders for people who have specialist strengths.

Let me finish up by mentioning how we are to take this forward. It's our intention to pilot this framework with a very small group of very senior SES over the next six months, we'll then refine the framework based on our experience and extend it to broader senior management and feeder groups. I don't know how far we might go over time, but I would note that a number of our exemplar contributors assess leadership potential at all levels, including entry-level positions to their organisations.

Nothing that I've run through is rocket science; it is just well-understood better practice. I think the real secrets in this area are in the level of commitment, the investment of time and effort by senior managers and the application of systematic and robust and data-driven approaches. My last comment on this is, I think jointly we all have a rather large interest in the success of these talent management strategies. I'll leave it there. Thank you.


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IPAA SECRETARY SERIES

NATIONAL PORTRAIT GALLERY
MONDAY, 21 NOVEMBER 2016

Differences and Similarities in Small and Big Organisations

Dennis Richardson AO

SECRETARY, DEPARTMENT OF DEFENCE

'Always go to the point, always go to the source of the trouble.
Don't hold back and skirt around the edges.'

I don't really have an address, I have a few words and then afterwards very happy to take questions on anything that I've covered or haven't covered. I particularly want to acknowledge wonder woman sitting in front of me. Those of you with real knowledge will know the meaning of that, otherwise known as Glenys Beauchamp. I just thought I'd say a few words.

I wrote something down: small, and big. When I started up in the Australian Security Intelligence Organisation (ASIO), in 1996, there were just over 500 people in ASIO at that time. When I started up in Foreign Affairs and Trade (DFAT) in 2010, including everyone through DFAT overseas, A-based and locally engaged about 4000. Defence is an enterprise providing employment to over 100,000 Australians. 58,000 are permanent members of the Australian Defence Force (ADF). Obviously, I don't command them – that is the ADF. 22,000 are members of the Reserve, who work in civilian roles as well as ADF. About 17–18,000 public servants and about 17,000 service providers. I've worked in both pretty small and pretty big organisations.

What are the differences and what are some of the similarities in small and big organisations? The differences, I think, are fairly self-evident. That comes with size. Obviously, engagement with staff. When I first joined ASIO in 1996, I made a point of personally meeting everyone in the organisation. For some time afterwards, I met everyone joining ASIO and I met everyone leaving ASIO. Obviously, by the end of my time there, that was not possible. So, you can engage far more personally with staff in a smaller organisation than in a bigger one. That gives rise to the question of communication, and I still haven't discovered how you do effective communication in a large organisation. I prefer not to use social media, not because I'm technologically incompetent, which I am, but because I know quite a few people in very large organisations who use social media and they very often have other people do it for them. I think that is not being authentic. However, it does raise a real conundrum.

'My most frustrating challenge, you've always got to finish off with a challenge! My most frustrating challenge is that I do wish that in government we could overcome the temptation to assume that you can regulate your way to perfection. It is not possible to regulate your way to perfection. More often than not when things go wrong, it is a result of human error rather than systemic failure.'

In ASIO, I used to have a meeting with all staff in Canberra once every six months. The next day, I would address all staff in Sydney and then in Melbourne, so over a two-day period I could address the vast majority of staff in ASIO.

In DFAT, I had to do it differently; started a monthly forum in DFAT, where any member of DFAT could come along. I would give a presentation, they could then ask whatever question they wished and then that would go to overseas posts etc. In Defence, you can't do that. In Defence, I have a monthly forum with the SES. That's voluntary, not all the SES take advantage of that, but I have a monthly forum with all the SES and I do at least one town hall meeting somewhere in Defence, at least once a month. In the four years I've been in Defence, I've probably done 90–100 town hall meetings. But that doesn't effectively enable you to reach a lot of people all at once and it is inadequate, but I have yet to discover an effective way of doing it.

With size also comes a sense of oneness. In ASIO, while there were differences in culture, there was a strong sense of common purpose. DFAT was similar, although DFAT had its challenges following the amalgamation of Foreign Affairs and Trade in the late 1980s, and of course a couple of years ago, it brought in AusAid. DFAT would be grappling with some of that, but I think they've done it pretty well. In Defence, that sense of oneness isn't always there. There is a broad sense of common purpose, but there's an enormous diversity in the workforce in Defence. Defence employs blue collar through to white collar. It employs unskilled through to people with two or more PhDs.

The Defence Science and Technology Group employs more PhDs than any other organisation in Australia, outside of the CSIRO. Defence public servants do policy work, they are social workers, they are psychologists. Over 20 per cent of Defence public servants are engineers or technical. Over 10 per cent of Defence public servants work in the intelligence agencies. We have public servants who manage a property portfolio with a replacement value of over 60 billion dollars. We have public servants managing enormously large projects. We have public servants ensuring that the pay is done effectively, and if you get the pay wrong for the ADF, you know about it in the media very quickly. You are managing conditions across range of services – quite complex. You are managing a budget of over 32 billion dollars. There are multiple cultures.

People often think in terms of the ADF and public servants. It's far more complex than that. Try telling an SAS person in Campbell Barracks in Western Australia, that they belong to the Army. Try telling a fighter pilot that he or she is the same as an engineer or a navigator. Try telling a submariner that they're the same as someone up above – forget it. There are multiple cultures in Defence, perfectly understandable. Defence has been on a journey for 40 years, bringing an enormously large disparate organisation together. A bit over 40 years ago, what is now Defence consisted of five separate departments of state. The last 40 years has been the journey of seeking to bring that together, hence the big review we had in 2014–15, called the 'First Principles Review', had as its title, One Defence. As a result of that First Principles Review, we deliberately got rid of any titles in Defence which had organisation in them, with the exception of the intelligence community.

The Defence Materiel Organisation became the Capability Acquisition and Sustainment Group. The Defence, Science and Technology Organisation ceased being called an organisation, and became a group.

They're only word changes, but what sits below those word changes is a very strong philosophy to make Defence more of a unitary state rather than a federation We deliberately kept the intelligence community, the Australian Signals Directorate, the Australian Geospatial-Intelligence Organisation and the Defence Intelligence Organisation as organisations, because they also operate under the Intelligence Services Act, not only the Public Service Act, and I thought it was appropriate for them to be so recognised. From that diversity of workforce and the principle of One Defence, arises what is one of the big challenges in Defence and that is the overhead of coordination in Defence. So much emotional energy in Defence is taken up, is directed, coordinating within. That was not the case in ASIO; that was not the case in DFAT. It is in Defence. After I'd been there six months, Betty said to me, 'Your program is very different in Defence to in DFAT'. She said, 'In Defence, your program is taken up with meeting people inside Defence. Your program in Foreign Affairs and Trade was primarily meeting people outside of

DFAT'. Therein lies a big difference between a big, big organisation and what was a relatively small organisation, and a medium size organisation.

Once you align Defence internally, you have the issue of engagement with the rest of the government. Defence talks about itself internally, unlike other organisations I've worked in. Very often, you hear discussions in Defence about Defence and government, as though we're separate to government. It's interesting language that you get and that highlights one of the challenges. Flowing on from that, flowing on from the diversity, flowing on from the emotional energy taken up in internal coordination, flows the next big difference between small and big. That is, in big, you have to develop an appetite for a certain kind of sandwich. You get a regular diet of them and they are an acquired taste, but over time you simply accept it as part of the daily diet. .

They're some of the obvious differences, but I think what's interesting is that when you think about it, there's far more in common between small and big than there are differences. The differences are largely mechanical and they're functional, and they're understandable. However, what they have in common is, whether you're small or big, you've got to engage with ministers and government the right way. You've got to provide timely and accurate advice, and you've got to be very conscious of accountability, integrity, and your responsibilities.

Simply because you're in a big, big organisation doesn't mean you carry more responsibility than being in a much smaller organisation. Some of our smallest organisations in government have very intrusive powers that have to be managed very carefully. They can intrude on the lives of our fellow citizens, therefore they have to be managed in accordance with the law and carefully. That is a big responsibility, that doesn't come with size. That comes with the authority, the accountability, and the responsibility that you carry. Whether you're a small organisation or a big organisation, you have issues relating to workforce. We have a big challenge in Defence, in terms of gender in the workforce.

Overwhelmingly, women are represented at more junior levels, less represented at more senior levels. After four years of virtually no promotions because of downsizing and the like—we've had promotions this year, and a quite reasonable percentage of women have been promoted through that process. For the first time, there are two women at the top table in Defence. Rebecca Skinner, who was head of the People group, has just moved to the Strategic Policy and Intelligence Group. She's the first woman to occupy that space in the national security community.

'With size also comes a sense of oneness. In ASIO, while there were differences in culture, there was a strong sense of common purpose. DFAT was similar .... In Defence, that sense of oneness isn't always there. There is a broad sense of common purpose, but there's an enormous diversity in the workforce in Defence.'

'From that diversity of workforce and the principle of One Defence, arises what is one of the big challenges in Defence and that is the overhead of coordination in Defence. So much emotional energy in Defence is taken up, is directed, coordinating within. That was not the case in ASIO; that was not the case in DFAT. It is in Defence.'

She and Roxanne Kelley, who replaced Rebecca Skinner in People Group, the first time that they've had female company at the top table in Defence. We've got a way to go.

Indigenous Australian representation in the last two years: we've grown the Indigenous representation in the Defence APS from 0.8 per cent of the workforce to 1.8 per cent of the workforce. We've grown that very significantly. Easy to grow, hard to retain. Our challenge is in retention and our challenge is insuring that Indigenous Australians are also properly represented at middle and senior levels. They are overwhelmingly at junior levels in Defence at the moment. Also in terms of Indigenous employment I should say that you'll be aware of the special provisions in government procurement, which enable you to provide contracts to Indigenous owned companies provided they meet certain criteria. Last financial year, of the 200 million dollars in contracts provided to Indigenous owned companies, 140 million of it was represented by Defence and the contracts we gave out. We encourage people in strategic areas to go on the Jawun Program – and I'm sure there are many people here who are familiar with the Jawun Program. If you get the right people in the right part of your organisation going to Jawun, they will come back with a different attitude. They will come back with quite a determination and you see real results in that.

Disabilities: again, whether you're a small organisation or whether you're a big organisation, we have responsibilities there. I think Defence has more responsibilities than most. I take a very simple view: we spend over 32 billion dollars of the taxpayer's money a year and we provide employment one way or the other, directly or indirectly, to over 100,000 people across Australia. An organisation of our size has a responsibility to engage across the community and the ADF has done that very effectively for a long time. In Defence, 18 months ago, we decided to replicate a program we've had in Canberra for over 20 years with Koomarri. We decided to form partnerships with local community groups to employ people with intellectual disabilities. It's called the Defence Administrative Assistance Program.

We launched our first program at Enoggera Barracks about 18 months ago. We have since replicated it in other parts of Queensland, New South Wales, Victoria, South Australia, and Western Australia. We'll replicate it in the Northern Territory before March of next year and we hope also down the track to replicate it in Tasmania. That's no big deal, we're only providing employment through that program to about 130 people with intellectual disabilities. But—if you get shown by someone what they've bought with their first pay packet; if you have someone talking to you about how they're getting public transport independently for the first time in their lives; parents are dropping off kids at work and for the first time in their lives, they don't have carer responsibilities—this is worth doing and all government departments should have a little program like that depending upon the size. We have not tried to overreach, our concern being that if we sought to overreach and tried to do too much we would fail. We've done it as a business proposition, being very tough-minded about this and it's amazing.

We'd launched the program in Melbourne on Friday and normally it starts off pretty slow, but within about six weeks the group of people employed with supervisors from the community organisation had more work than what they could handle. They're doing work that we're meant to do but have dropped off the back because of downsizing and it's a business proposition. We're actually get quality work that needs to be done, that we're not doing. It's not a bad deal, I would encourage everyone to think about that. The last thing I would mention—common across whether it's small, medium or big—leadership. Three lessons in leadership that I've personally experienced stand out for me. One was in 1970, when the then head of mission I had in Nairobi disappeared because there was an attempted coup in Uganda. At that point, believe it or not, there were a lot of Australians in Uganda. The Head of Mission got me into his office after he came back and he said, 'Look, Dennis. In a crisis, you always go to it. Never stand back'. Always go to the point, always go to the source of the trouble. Don't hold back and skirt around the edges.

At the end of May 1991, I was Chief of Staff to Bob Hawke and Paul Keating came around and challenged him. Prime Minister Hawke was then in his office from about 6 o'clock one evening through to about 1:30 the next morning with some senior ministers and all, making telephone calls and doing the things you do when you're under challenge. At 1:30 in the morning, he asked for his papers for the Premiers' Conference, now called Council of Australian Governments, that was commencing at 9 am the next day. He had the intellectual discipline to move from the challenge for his job to the Premiers Conference, and at 1:30 am in the morning! I said to him, 'PM, you're on top of the Premiers' meeting, Why don't you go home and get some rest?' 'No', he said, 'I want to prepare for the meeting'. He took great pride in never going into a meeting unless he was totally prepared for it. He had the most discipline capacity I've ever met in my life, to be able to move from one issue to another and give it complete focus without being distracted by what had come before.

In October of 2009, I was in Washington and I went to Afghanistan with the then Chief of the Defence Force, Angus Houston, and the then National Security Advisor, Duncan Lewis. We went to Tarin Kowt in Uruzgan Province. I had a meeting with the usual and afterwards, Angus was having a meeting with junior and middle ranking officers. To my surprise, he invited myself and Duncan to take part. Duncan, of course, had been in the ADF himself, head of special ops, whereas I'd never been in the ADF. Angus and I are good mates but we haven't always agreed. The meeting took place, and it was all about the protective security being provided to the soldiers. That's probably the most sensitive issue you can get when you're on deployment. The tension between providing appropriate protection against mobility, etc. There was a very, very frank discussion about that, and the lesson out of that is the capacity as a leader to create an environment where people feel able to raise the most sensitive things with you. The way I saw that done on that occasion with the most impressive I've seen.

My most frustrating challenge, you've always got to finish off with a challenge! My most frustrating challenge is that I do wish that in government we could overcome the temptation to assume that you can regulate your way to perfection. It is not possible to regulate your way to perfection. More often than not when things go wrong, it is a result of human error rather than systemic failure. All too often, we confuse poor individual judgement with a systemic failure and we add more process.

Finally, I do hope other people are having as much fun with Fair Pricing as I am. Most of you probably don't know what fair pricing is, but in Defence, for the first time this year, we have to provide a fair price for 54 Defence platforms of 1.5 million separate assets. No one has yet been able to explain to us why we have to do it and the purpose of it. It is a requirement of the Australian Accounting Standards Board. However, it is optional in the private sector. It is compulsory in the public sector. I spent an hour with the seven people in Melbourne on Friday, who've devoted five to six months of their life doing nothing but that. They still don't know why they had to do it, and neither do I. If that's not bad enough, neither the ANAO nor Finance can explain its practical purpose! Anyway, enough from me–over to questions.

DIFFERENCE AND SIMILARITIES IN SMALL AND BIG ORGANISATIONS – DENNIS RICHARDSON AO
Secretary, Department of Defence

NATIONAL PORTRAIT GALLERY
TUESDAY 6 DECEMBER 2016

IPAA Annual Address to the Public Service

Dr Martin Parkinson AC PSM

SECRETARY, DEPARTMENT OF THE
PRIME MINISTER AND CABINET

'… the generation of ideas is the key to Australia's economic success—we must make innovation and disruption our friends if we are to keep pace with the world.'

I would like to start by acknowledging the Ngunnawal people, Traditional Custodians of the land on which we gather today, and pay my respects to their Elders past and present. I extend that respect to all Aboriginal and Torres Strait Islander peoples here today.

I'm a great believer in celebrating success, acknowledging failure and recognising where we can do better. So to me it is important that we come together to reflect on the year that has been – especially in a climate of such rapid change here in Australia and, perhaps even more importantly, overseas.

I want to take this opportunity to thank you all for your contributions over the past 12 months.

When you think about the year that has gone, we can divide it into pre- and post-election. And of course, that bit in the middle. Prior to 2 July, we were very busy implementing policies of the government and preparing a Budget which bore the stamp of our new Prime Minister – our 5th PM in 6 years. As for every election, we headed to the polls uncertain about the outcome and how it would affect our work. The elongated Caretaker period bought with it a new set of challenges, but in my view, the APS supported the workings of government professionally.

For some, post-election was business as usual; for others – like many elections before and in the future – there was an adjustment to a new Minister or to Machinery of Government changes.

Subsequent to the election, we've had to navigate the dynamics of the new cross bench, though many in the Service already had experience of this from the Gillard minority government days.

Now, like all second term governments, the focus of the administration is different to that of the first term. For this government's second term, the focus of the domestic agenda is clear – boosting investment, jobs and growth.

Since its re-election, the government has progressed reforms in areas such as vocational education and training, superannuation, industrial relations, and ending the perfectly preventable mess that has been VET Fee-HELP. It has initiated the Finkel review of the security of the National Energy Market, and continued to deliver real momentum in the campaign against domestic violence.

The government's second term is also characterised by a sharp focus on implementation of existing commitments. This covers the massive – potentially game-changing – investments being made in the National Disability Insurance Scheme, the National Broadband Network, the National Innovation and Science Agenda, and in cities and infrastructure. And I haven't even mentioned naval shipbuilding, where the intention is not just to build naval ships, but to build a naval shipbuilding industry capable of holding its own against global metrics.

These are huge projects with enormous policy impacts for Australia, and the challenge of delivery cannot be underestimated.

The shipbuilding work, for example, will see government investment of at least $89 billion over the coming decades – think of the cost to Australia in foregone opportunities if we get that wrong! And all this occurs against the backdrop of the increasing urgency to restore our fiscal situation.

On current plans we return to surplus in 2020–21, over a decade after we slipped into deficit and eight years later than the first projected surplus in 2012–13. Now it's easy to blame this solely on the Senate, but Australian Governments have rarely controlled the Senate – indeed, other than 2004–07, one has to go back to 1980–83 to find a period where this was the case.

To me, the issue is not control of the Senate. It is the fragmented vision of Australia's future that causes the biggest difficulty today – and it is that fragmentation which is behind the composition of Parliament.

Efforts to return to fiscal health are hampered by the unwillingness of the community to acknowledge the risks Australia is taking. But if the community will not acknowledge it today, watch how they attribute blame if the rating agencies remove our AAA rating!

Globally, economic growth remains sluggish. In many developed economies, inequality has risen and the public feels as though the social compact is broken, leading to a backlash against free trade, globalisation, and immigration.

Despite the superficial attraction of such attitudes, if we want a resilient economy, we need a serious commitment to improving productivity growth and a fundamental openness to trade and investment that brings with it new jobs and competitive firms.

The Prime Minister has been forthright in his belief that the generation of ideas is the key to Australia's economic success – that we must make innovation and disruption our friends if we are to keep pace with the world.

‘ … five key attributes for our most senior APS roles: to be visionary, to be influential, to be collaborative, to be enabling and finally, to be entrepreneurial.’

We’ve heard that phrase many times – disruption and innovation. I’ve talked about it in speeches – including what it means for our economy and for our organisation – I’ve espoused it on panels and I’ve robustly suggested that APS staff embrace it. But I realised recently that I’ve never really spoken in detail about what that means for the APS. And perhaps that’s why I shouldn’t be so surprised by my conclusions as I look back over this year.

In my first year as head of the public service, I’ve been very impressed with a lot of things that I have seen. But one thing that has surprised me is the complacency, yes, complacency, which many in the public service have regarding the disruptive forces operating around us.

Disruptive forces – like the fundamental shift in public expectations of government, consumer-directed demand for government services and the ever-changing capacity of technology to support and improve service delivery – are certainly not unknown to the public sector. Indeed they impact on our work just as much as they impact on the private sector. But despite this, it seems to be that in the APS we think that disruption is something happening to other people. And, conversely, we seem to regard innovation as a buzzword or something that’s ‘nice to have’.

I want to be clear – this is a false reality. And a dangerous one at that. And it feeds into my concern that the APS is at risk of the fatal combination of arrogance and ignorance.

So what do I mean when I talk about innovation in the APS? What does it look like on a day to day basis – for the APS graduate doing a rotation; for the EL2 in HR; or for the Secretary of a Department for that matter?

First, we have to be an organisation that stops squirming at the word ‘failure’. I know we have had it ingrained in us for so long that failure is inexcusable that we have either ‘risk managed’ the life out of decisions or we have simply refused to admit they were in fact failures. But look at reality – we are an organisation with some incredibly high profile failures. I’ve already mentioned VET Fee-HELP, but let’s not forget the Home Insulation Program, eHeath, or, this year, the Census and the failure to effectively de-identify health records.

Despite this, there is such a thing as an acceptable level of failure.

Now, I’m not suggesting everyone goes rogue and adopts the ‘I’d rather seek forgiveness than ask permission’ mantra which, frankly, can just be an excuse for poor preparation or a disregard for process. We must still do our due diligence. We must still base decisions on a solid evidence base. And we must still operate within some kind of structure. But, if we are going to truly create a safe space for people to think and innovate, we need to create better frameworks to test ideas. Better still, to emulate GE, we should be prepared to fail fast and then decide to persevere or pivot, based on data analytics and clear-eyed judgement. We must learn to recognise early whether what we are seeing is an unacceptable level of failure or whether, with some adjustment, a project can be saved and is worth fighting for.

Our relatively weak capacity to evaluate potential success or impending failure is a capability gap in itself. Analysis and the ability to assess risk and develop risk mitigation and minimisation strategies must be core skills if we are to successfully venture into the brave new world.

Yes, innovation can take courage. But increasingly, it has to be the response to clear expectations.

We certainly have a Prime Minister who is an early adopter of technology and puts a lot of stead in its ability to transform the way we work. In its own way, the PM&C Incoming Government Brief team rose to that challenge. The IGB team took an idea developed in the Department of Communications and the Arts and worked with our own IT and Security colleagues to develop a new, user-friendly way of delivering the IGB electronically – which I'm sure is music to the ears of anyone who has ever been involved in an IGB process. This was more than just an app. It was a whole new way of thinking about how to engage the Prime Minister, and it's been a resounding success. It allowed the PM to ask questions, receive answers and make decisions on the brief in real time – and he is keen for this approach to be rolled out more broadly.

There are many other ways this approach can be used, and we're now using it for Question Time Briefs and international briefing packs which are often updated in real time. I suggest you think about how it might be used to serve your Department, your Minister, or your team. More importantly, in the same way we built on the Department of Communications initial efforts, think about how you can build on PM&C's.

But, remember, innovation is not confined to technological changes. Indeed, the APS and government have to think differently when it comes to policy development and implementation.

This year, the Minister for Social Services announced a trial of the Australian Priority Investment Approach to Welfare. Now, the provision of income support is by no means a new policy. But, through the Investment Approach, we are trying a different, data-driven approach in order to achieve a better outcome.

Rather than providing a series of short-term fixes, the Investment Approach draws on actuarial analysis applied to 15 years' worth of social security, ABS and longitudinal survey data to better identify which groups in our community are most likely to be long-term recipients of welfare payments. This evidence-base – which we had not previously had access to – allows funding to be better directed to specific groups at specific times within the lifecycle to deliver improved results.

One of the groups most vulnerable to long-term dependence on welfare is the 11,000 young Carer Payment recipients under 25. The data available to us suggests that over the next 70 years a minimum of 40 per cent of these 11,000 Australians under 25 can be expected to access income support payments. Indeed, on average, the 11,000 young carers are expected to be on income support at some point each year in 43 separate years over their future lifetime. Sixteen per cent of this group, about 1,800 young people, will access income support each year for the remainder of their lives.[1]

And so a fresh approach – combined with the availability of the right data and the right analytical capacity – has the potential to vastly improve the effectiveness of our social services through a data-driven, targeted approach to payments.

So, while the government gets a better outcome from its spend, the biggest win is that vulnerable people are likely to have greater control over their lives and more connection with, and contribution to, their community.

Further, the staged implementation of the Australian Investment Approach is a fantastic example of small-scale policy testing. That is, creating the framework in which to test the merits of a policy idea – while accepting that it might not work.

1 Minister for Social Services, 'Australian Priority Investment Approach to Welfare', Address, National Press Club, 20 September 2016: http://christianporter.dss.gov.au/speeches/australian-priority-investment-approach-to-welfare

The $96 million 'Try, Test and Learn' fund will seek innovative ideas from experts within and outside government – including the social sector – on interventions to achieve the Investment Approach goals and rigorously evaluate them before broader implementation.

I should also mention that the idea behind the Australian Investment Approach was borrowed – in much the same way as Crowded House and pavlova – from our Kiwi cousins. And, like a successful Aussie pav, we gave it our own twist to better fit our circumstances.

These examples – digital QTBs and the Australian Investment Approach – are a reminder that innovation is not invention. Only very occasionally, the ideas behind innovation are truly original. Most of the time, innovation is the result of the adoption or adaption of an existing idea.

The tools we need to make our working lives easier or more productive and responsive already exist; we just have to take that step back and ask ourselves 'what if?'.

> 'What if' I ask my team mates, or indeed, the rest of my Department – or more scarily still, the community – for their ideas?
>
> 'What if' we make all roles flex?
>
> 'What if' we stop flogging a dead cat and look differently at that persistently difficult policy question?

There are many ways we can recognise disruptive forces and actively choose to innovate, rather than playing catch up with what citizens and businesses need.

There is only one certainty in the current environment and that is simple – if we don't get on board, the APS will be left behind.

Now, without a doubt, doing things differently comes with a level of emotional discomfort, and resistance – including, at times, from Ministers. And, if 'failing fast' is to be part of our ethos, both Ministers and the ANAO need to be realistic about what that entails.

The ability to recognise and be comfortable with ambiguity is a key skill of high-performing leaders in the APS.

Leadership is not about what you know, but how you act. It is about values and behaviours, the environments we create, the way we respond to failure, the messages we send. In times of uncertainty and change, quality leadership is more important than ever. We need to be able to lead through those times when we are not sure what the outcome will be and yet still keep our team calm and focused.

Recently my colleague Finn Pratt has led the Secretaries Talent Council in isolating five key attributes for our most senior APS roles.

The attributes or capabilities are: to be visionary, to be influential, to be collaborative, to be enabling and finally, to be entrepreneurial.

I spoke earlier of the importance of undertaking due diligence to back up new thinking. Building the evidence-base for new ideas is a surefire way to mitigate some of the emotional discomfort associated with approaching problems a new way.

How successfully we do this is critical to developing a successful ideas ecosystem across the public service. This is a concept which I am passionate about and which basically translates to the ability of the public service to generate and prosecute new initiatives.

I spoke earlier about some of the settings we need to do this – a re-balancing of our risk appetite; an inclusive and respectful environment in which to test ideas; and the commitment to back our proposals with an evidence base.

But a successful ideas ecosystem will also requires investment in yourself:

- Read widely about current affairs and policy;
- Look beyond the scope of your policy area;
- Develop and invest in communities of practice to share and learn about new ideas.

Our Prime Minister, for example, is particularly interested in initiatives being implemented, successfully and unsuccessfully, overseas.

In short, be bold, be curious and be engaged with your work. And have the courage to act to realise outcomes where you think they can be improved.

Another question we need to ask is: are we bringing in the right people to achieve these objectives?

There are a couple of areas which we need to focus on here.

One is diversity. We must stop picking people like ourselves.

The Race Discrimination Commissioner, Dr Tim Soutphommasane, recently released a publication called *Leading for Change: A blueprint for cultural diversity and inclusive leadership*.[2] It showed that, of the 124 heads of federal and state departments, only two come from non-European heritage – and that's halved since Peter Varghese retired – and only one has an Indigenous background. The vast majority – 82 percent – have an Anglo-Celtic background. We are less diverse than the ASX 200 CEOs or the Federal Parliament. That's why the Secretaries Board has established the Equality and Diversity Council to drive initiatives to

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2 https://www.humanrights.gov.au/our-work/race-discrimination/publications/leading-change-blueprint-cultural-diversity-and-inclusive

break down formal and informal barriers preventing all APS staff – no matter what their background or circumstances – reaching their potential.

This is also about gender diversity and a key focus of the Council is delivering the Government's APS Gender Equality Strategy through a **mandatory** set of requirements for all Departments and agencies.

I'd like to end today by reflecting on some remarks made by the Prime Minister early this year in his IPAA address. In his address, he spoke about the 'clay layer' which can stunt progress in organisations. It's usually those who are not digital natives and refuse to embrace technology out of fear or stubbornness and who, being in powerful positions, can impact on its uptake throughout the organisation.

But, as I've made clear, it's not just our ability to engage with technology – but our capacity to come up with new policy ideas, and our ability to be influential in prosecuting these ideas. That clay layer can also obstruct innovative thinking and recognition of the opportunity inherent in disruption. But it must not because, as they say in the classics (aka, the Borgs in Star Trek), 'resistance is futile'. Not only futile, but foolish.

Innovation starts with each and every one of us. No matter what level we are or what department or agency we work in, we can all ask ourselves how we can work differently.

As public servants we deal in the creation, implementation and assessment of ideas, we need to be a natural home for innovation and blue-sky thinking.

There is nothing new in what I am saying – you can see the same themes I am raising reflected in speeches given by other Secretaries – Michael Pezzullo, Martin Bowles, Jane Halton, Heather Smith, Dennis Richardson and Finn Pratt, just to name a few – here at IPAA over the last year. The fact there is such consistency in themes should constitute an unmistakable message to you all.

So here is my challenge to you for 2017:

> **Be bold and creative in your thinking** – but do the work to back it up;
>
> **Take a wider view of the world around you** – look at what policy or programmes are working well in the states or overseas; and
>
> **Create a working environment where colleagues feel valued** and safe bringing different ideas to the table, and which promotes collaboration.

Scott D. Anthony, author and managing partner of consulting firm Innosight, sums up what innovation in the workplace is. It is 'The courage to choose, the clarity to focus, the curiosity to explore and the conviction to persevere'.

It is the Prime Minister's expectation – it is my expectation – that the APS will lead on innovation. I have every confidence that, given the opportunity, we will.

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