

Innovation in Public Sector Governance: The Strategic Leadership Team in The Department of Primary Industry, Fisheries And Mines. Some Personal Observations

This article contains personal reflections on governance in line agencies and discusses some attempts to move one aspect of governance – how to deal with the strategic issues facing an organisation – to a new level to deal with the increasing complexities of the modern world of public administration and the complex environment in which it operates. John Carroll



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The opinions expressed in this article are those of the author and do not necessarily reflect the views of the Northern Territory Government or others who were employed in the Department of Primary Industry, Fisheries and Mines which was abolished on 18 August 2008. The purpose of this article is to describe a different approach to governance which was considered appropriate to the circumstances of the time and nothing in it should be read as implying that the department's successors or other agencies should adopt this approach.

INTRODUCTION

Governance in the public sector is always an important topic for senior managers but is often left to academics to write about and develop models. This article contains personal reflections on governance in line agencies and discusses some attempts to move one aspect of governance – how to deal with the strategic issues facing an organisation – to a new level to deal with the increasing complexities of the modern world of public administration and the complex environment in which it operates.

WHY IS GOVERNANCE IMPORTANT?

For many years there has been a trend to make public administration more 'efficient' and to model the delivery of services on private sector business practices. The goal of achieving better outcomes for taxpayers is a worthy one and in my experience most senior public sector managers fundamentally subscribe to this view. But there can be a world of difference between an individual's view of what is the best use of resources to achieve outcomes and that of the government of the day and the clients to whom the services are being delivered. What is the best way to resolve this dilemma?

Of course, there is not just one way of dealing with this issue. But one of the threshold issues is knowing what governments and clients want to achieve. For many areas of public administration the government of the day does not have detailed articulated policies. No reasonable person expects any political party to have covered every aspect of administration in its policy platform or even in

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the speeches and media releases that are the currency of modern politics.

For many agencies, the client group is diverse and there is little in common in a business sense between the groups – for example, in the Department of Primary Industry, Fisheries and Mines (DPIFM), there was little in common between the recreational fishers and the pastoralists and the miners. Additionally, even within a client group there are divergent interests, different perspectives and often ‘industry politics’ that can create difficulties for the public administrator trying to get on with the job, achieve outcomes and meet the challenges of the rapidly changing world – not to mention the ongoing demands of Cabinet, Ministers and Ministerial Offices.

Without some form of direction, agencies can easily get lost but even if there is clarity, the senior manager has to bring the people in the agency along, manage change so that the organisation is responsive to the external environment and deliver the outcomes any modern government is continually demanding: better services, higher quality advice and satisfied clients all within an overall reduction in the resources available. No wonder some, including me, think that public administration is under-valued in the political process and by the community generally.

Against this background there is a framework of accountability, including:

- Every jurisdiction in Australia has legal frameworks that dictate how public sector agencies will operate. Usually, this includes how public finances will be managed, the role of Ministers and public officials (in the Territory, the Chief Executive is the Accountable Officer and has extensive responsibilities with penalties for breaches of the legislation), requirements for corporate planning, annual reporting and so on.
- Agencies report to one Minister if they are lucky – an increasing trend is for the creation of large agencies with multiple functions that report to more than one Minister. These arrangements can be a minefield for Chief Executives (and Ministers), particularly when it comes to who is accountable for the administrative performance of an agency as a whole and how resources are allocated between the various Ministerial responsibilities. A subject for another day is dealing with ministerial advisers.
- The Parliamentary process includes Estimates and other committees which monitor and evaluate the performance of agencies.
- External bodies – the Auditor-General and the Ombudsman – established by Parliament, review the operations of agencies and call them to account. The modus operandi of these bodies is to evaluate performance against systems which, of course, implies that systems exist and are working.

- The media and members of the community, especially client groups, keep a close watch on agency activities and react according to their perceptions about how the agency is performing. And their perceptions are not always the same as those of agency staff.
- The internal processes of government – the role of central coordinating agencies (particularly the Treasury) and the central role of Cabinet – all impact on the capacity of agencies to deliver effective and efficient outcomes.

All these and other constraints circumscribe the role of the Chief Executive and the senior management team which supports him or her.

At the same time there is relentless pressure to become more businesslike. This raises some interesting issues about roles in the public sector and how you put commercial practices into an organisation that has a number of different drivers to those of shareholder value and profits: the key drivers in most businesses. I have yet to meet a businessperson who understands why public servants think Question Time is important and the idea of being accountable through the Estimates Committee process is totally foreign to them. The Westminster concepts that we say underpin the way public administration operates are often just not compatible with what a businessperson would see as appropriate, realistic or having any value. Defining the role of public administration in the 21st century is a task that is difficult and necessary and until this issue is tackled, the dilemmas discussed in this paper will not be adequately addressed, let alone satisfactorily resolved.

THE ROLE OF THE SENIOR MANAGEMENT TEAM

Invariably, public sector agencies have a committee of the most senior staff whose job it is to provide strategic direction, coordinate the activities of the agency and develop/approve agency-wide policies and procedures. Often these committees are called the Board of Management (BoM). The defining characteristics of these committees are:

- They meet at regular intervals (monthly or quarterly, depending on the organisation) and have a set agenda with minutes.
- The availability of information about the board and its activities to staff generally depends on the culture of the organisation and the communication style of the Chief Executive. Often it is a total mystery to those who are not members and sometimes, even to members.
- The membership is determined by the Chief Executive and reflects that person’s view of the importance of the activities of the agency. In the Northern Territory, this does not normally include staff representation or ‘non-executive’ members.

- The board has no formal powers, is not recognised in legislation and cannot make legally binding decisions but it can be a powerful or an irrelevant body depending on how the Chief Executive chooses to operate it.
- There is a general expectation that each agency will be 'modern' and have a BoM, either with this or a similar title, with similar functions to those outlined above.

Having been a member of numerous BoMs in the Queensland and Northern Territory public sectors from the beginning of the 1990s, I became increasingly concerned that the functions they served did not add sufficient value to justify the resources allocated to them. A back-of-the-envelope calculation of the costs and benefits of these committees reveals that often the benefits are far outweighed by the costs, not only in terms of the expenditure of public resources but the view that staff in agencies have about the way their senior managers go about their business. I came to the conclusion that there had to be a better way.

THE DPIFM EXPERIENCE

When DPIFM was formed on 11 July 2005 and as soon as the top structure of the department was settled, a BoM was formed whose role was to:

- Provide strategic leadership to the department
- Ensure that uniform policies were in place across the department on all issues of common interest and to provide equity in terms and conditions of employment and to ensure clients were treated equally, no matter which part of the department they dealt with — the antecedents of the department meant that the groups that formed it had diverse histories and policy frameworks.
- Provide a forum for senior managers to exchange ideas and assist in effectively allocating resources in accordance with the priorities of the Minister and the Government.

It was an extension of the senior management arrangements in the former Department of Business, Industry and Resource Development (DBIRD) and basically was a continuation of the BoM in that department. One feature that was not carried forward into the new organisation was the concept of EBoM — the Extended Board of Management which was held at least annually. EBoM was designed as a gathering of all BoM members and their direct reports. The consensus of those who attended was that it didn't achieve anything, was difficult to organise and was unwieldy.

The membership of BoM in DPIFM was the Chief Executive as Chair, each of his direct reports and a staff representative. The organisational structure of the

department meant that the BoM was large, with 12 members. The purpose of the staff representative was to bring to its deliberations the perspective of staff from outside the senior management group and to provide a conduit between the staff and BoM. The minute secretary was a staff member undertaking the Public Sector Management Course to broaden the experience of the person concerned and add a practical dimension to their studies. The first staff representative identified as Indigenous which was seen by senior management as being important as the department had a history of having difficulty in attracting and retaining Indigenous employees.

Did this approach work? In terms of dealing with the day-to-day business of the department it developed a range of policies that were applied, with varying degrees of success, to the ongoing operations of all areas of the department. Not all were easy, for example, the policy for dealing with business associations — an important part of the department's daily business — was controversial, not only within the department but also with some of the industry associations. After many years of established ways of dealing with each other, some (both departmental staff and industry) were offended by the fact that it was seen necessary to spell out the ground rules. The policy generated much heat and discussion but in the end was seen for what it set out to do — provide everyone with certainty in their dealings and set ground rules so that when difficult situations arose (as they inevitably do), everyone understood what was appropriate and what was not appropriate. Senior staff did get to know each other and because BoM met at different locations and visited each of the department's locations, every senior member of staff gained a greater understanding of its operations and their complexity and, most importantly, gained an understanding of the significant achievements the staff made and continue to make to the development of the Territory.

But was it strategic? Did it identify the issues and the environment in which the department had to operate? The short answer is 'no'. Many times the discussion became focused on the detail and there was no way that the structure was going to deliver strategic outcomes. If process is a factor in forcing outcomes, this approach was not going to force anything. A new approach was essential if progress was to be made in preparing the organisation to position itself for being a part of the future of the Territory's public administration framework, rather than a part of its past.

REFORM OF DPIFM'S BOM

By early 2006 it had become clear that continuing with the existing model of senior management direction for the department would not make a significant difference. In fact, if the BoM were to disappear, it would be unlikely to be generally noticed by the staff

and its members would be pleased to get back some precious time to do work that made a difference. It was clear the time for reform had arrived and the commencement of a new financial year was an ideal time for implementation.

In considering the reform of BoM the following factors were taken into account:

- The idea that a group of senior public sector managers should be called a board seemed to be a non sequitur. The committee in DPIFM had none of the powers or responsibilities of a private sector board as defined in the Corporations Act. Nor did it have any of the defined powers set out in specific legislation which creates boards such as the Veterinary Board and the Mining Board – both of which were established in legislation administered by the department. In terms of modern concepts of governance, there were no independent, non-executive ‘directors’ and no defined rights and responsibilities.
- The absence of strategic discussion and consideration of issues by the BoM that had an impact on the organisation and its reputation.
- The size of the group meant that free-flowing discussion was difficult and members could either dominate the discussion (something the chair was as guilty of as much as anyone else) or ‘hide’ and not contribute. Some members found that their electronic toys were more interesting than the discussion at the table and others did not seem interested in attempting to contribute to the overall direction of the department.
- The need to have a mechanism to provide strategic direction to the department and to create real opportunities for senior managers from diverse functions to work together on solving problems facing the organisation and contribute to solutions.
- Despite the work that had been done in BoM, the department still operated as a series of separate fiefdoms, rather than a cohesive organisation in which there was a well-developed spirit of co-operation and unity of purpose. For example, BoM never came to grips with the crucial issue for the department of how to advise the Chief Executive on how to equitably allocate money across divisions so that changing priorities could be met while continuing to provide traditional services.

Clearly, all these issues could not be dealt with by changing the structure of BoM but some action was needed.

WHAT SHAPE SHOULD REFORM TAKE?

After consultation with the members of BoM, it was decided that the objectives of the reform process would be: to develop a more strategic focus to its discussions and actions, achieve the greatest value for the individuals concerned and the department

and make its deliberations more relevant to the staff generally. There was consensus that the time had come for change.

After the issues were analysed, a number of actions were identified to address the major perceived weaknesses. The first step was a new name. BoM had survived the break-up of DBIRD and it was now time for DPIFM to ‘do its own thing’. There were many options but after careful deliberation it was decided to rename BoM as the Strategic Leadership Team (SLT). This new name reflected the key elements of what we were trying to achieve in the department at senior levels. Of course, we checked the acronym but it still didn’t stop one of my senior colleagues from another agency asking what happened to the ‘u’ when I explained what we were trying to do. At least, we caught his attention!

The new name was part of moving the group away from a focus on management issues (policies and procedures) to a new level of consideration of the issues that impacted on the department and its operations.

The agenda was reformed and categorised into strategic and operational issues. For each meeting an appropriate strategic theme was identified for discussion. For example in the third quarter the main topic would be the next year’s budget, whether there were any departmental initiatives to forward in the budget process and what internal reallocations might be necessary to achieve the outcomes required by government.

The question of membership took some time to resolve. It was clear that the senior executives from the line areas should be members of the SLT but what about the directors from ‘corporate’, the Regional Directors and the staff representative? Should there be a ‘non-executive’ member? Ultimately, it was decided to retain all the corporate directors because each of their portfolios was important to the overall delivery of the department’s services, but there was criticism that corporate was over-represented. It is interesting how in public sector organisations the corporate people are always seen as not contributing and their work is of second order importance but as soon as there are problems, the first people called in are from corporate! In a large and dispersed organisation such as DPIFM, having a regional voice in deliberations is always important so the Regional Directors had to stay. The staff representative concept had not worked out as well as had been anticipated but it was decided to keep it and to identify new ways of getting engagement with the staff.

The most radical change to membership was the decision to appoint a non-executive member. Normally, public sector organisations keep their internal deliberations confidential – I have never quite understood why this is so as most of the information I have been privy to is either of interest only to those directly involved or, frankly, just downright boring. But for most public servants, the thought of having an outsider sit in on meetings,

participating as a full member and at the end, give the meeting a view on how it performed, is somewhat akin to what the Visigoths did to Rome in 410 AD – not good!

Nevertheless, the senior management team accepted and embraced the idea as everyone agreed that time for change had arrived. Under the auspices of the Northern Territory Government/Charles Darwin University Partnership, Ian Thynne, Professor of Governance at Charles Darwin University, became the first non-executive member and regularly attended SLT meetings. He was provided with all the paperwork for meetings and was a full participant in all the deliberations of the SLT. On a number of occasions his contribution added significant value to the process and assisted the SLT to arrive at a significantly better position than it would have, had he not been present. Professor Thynne's wide experience and broad view of issues gained from his extensive international experience was invaluable.

It was essential that the non-executive director be able to fully participate in the SLT's deliberations and have access to all the necessary information to make this participation meaningful. The SLT would not work if it could not discuss all the issues affecting the department, including its relationship with its clients, other agencies and the Minister's office. Clearly, many of these issues are sensitive and the model would not work if there were constraints in the discussions or particular matters were dealt with outside the SLT because the non-executive member could not participate. Of course, there was confidence that Professor Thynne would not breach the department's confidences but it was agreed that he would sign a confidentiality agreement – to protect both him and the department. In practice, this never became an issue and both sides considered the arrangement worked well.

Then there was the question of the remuneration of the non-executive member. DPIFM had a budget of over \$70 million a year and the objective was to give the SLT a significant role in the setting of the directions that would influence the management of that budget. The expertise the non-executive member would bring would have significant value to the department and it would be inappropriate to expect this expertise to be provided pro bono – the department was not a charity. For the initial appointment the problem of the level of remuneration was resolved by adopting the standard consultancy rate that had been agreed between the Northern Territory Government and the University and daily sitting fees were paid at this rate.

Professor Thynne has his views about the success of this experiment but my view is that he made a real contribution to the meetings and significantly assisted us in achieving our goal of lifting the discussion from the operational to the strategic. The Professor commented on more than one occasion that the level of debate

and consideration of the issues became more strategic over time and the meeting was moving away from the operational. This is not to say that the process achieved all it could or that we got the idea right. But we did challenge the notion that management in the public sector must be internalised and there is no room for outside into strategic management consideration and decision-making. And the sky didn't fall in!

The department was abolished before we had the opportunity to extend the concept. The plan was to move to a new level at the end of Professor Thynne's term and find someone to replace him who had extensive 'outside' experience. The two options we were considering included someone from the private sector and the appointment of a senior Aboriginal person who would bring to the table a quite different perspective but not as a specific representative of a third of the Territory's population. Extending the model in this way would have raised issues that did not have to be addressed in the initial appointment, including what would be an appropriate sitting fee. This would have been an interesting exercise to work this through and arriving a reasonable rate that was acceptable to all parties and recognised the value that was being added would have no doubt stretched a number of public sector boundaries.

CONCLUSION

The driver for this reform process was to ensure that the senior management team of DPIFM was considering the strategic issues confronting it – both in the present and for the future – so that it could position itself to deal with them. All organisations are in danger of falling victim to group-think and being led by those who dominate for whatever reason, whether it is the position they hold or the force of their personality. This reform process was the beginning of an attempt to deal with the issues by broadening its membership and changing the way it operated.

The SLT model was different and the benefits that were achieved included:

- The name change highlighted the resolve of senior management to act differently to deliver different outcomes. And it acted as a constant reminder of what we were trying to achieve.
- The concept of a non-executive member was radical in public sector terms. However, in practice it hardly caused a ripple but much of that can be attributed to the professionalism and personality of Professor Thynne who made a real contribution.
- Some of the staff thought the change was effective but there were critics who said it was ineffective and

didn't achieve anything. Unfortunately, it seemed the majority were just not interested.

- The meetings did become more focused and the process was continuing to deliver improved outcomes.
- Keeping focused on the strategic was always difficult and we did not always succeed and sometimes we went backwards but it was a learning process.

In summary, what we needed was change, an organisational culture that was DPIFM's, not that of one or more of its predecessors, and we needed to work more effectively as a team. My assessment is that were at least partially successful on each of these measures.

The real test is whether you would do it again. My unequivocal response to that question is 'yes I would do it again' but with the necessary refinements for the time and place in which I was doing it.

ENDNOTES

- 1 John Carroll was a public servant for over 40 years and was Chief Executive of the Northern Territory Department of Industries and Business from June 2000 to November 2001 and Chief Executive of the Northern Territory Department of Primary Industry, Fisheries and Mines (DPIFM) from July 2005 to August 2008. He is now a business consultant – more information is available at www.johncarroll.net.au and he can be contacted at consulting@johncarroll.net.au.
- 2 DPIFM was formed out the Department of Business, Industry and Resource Development which in 2001 had been an amalgam of functions from the former departments of Primary Industries and Fisheries, Mines and Energy and Industries and Business. While some progress had been made in unifying these diverse functions, considerable work remained to make a cohesive organisation of the department and achieve the synergies and efficiencies the Government was seeking from bringing the functions together.
- 3 Despite its other failings, EBoM was an effective mechanism for bringing together people from across the agency to interact, to get to know each other and network. Unfortunately, the costs outweighed this benefit. The issue of how to engage the management level directly below the BoM/SLT

was one that we struggled with throughout the life of DPIFM and I don't believe we were ever able to effectively solve it.

- 4 BoM membership was: Chief Executive, Executive Directors Primary Industries, Minerals and Energy, Fisheries, Directors Finance, Human Resources, Information Management, Marketing and Communications, Regional Directors Katherine, Tennant Creek, Alice Springs and one staff representative. The department did not have an Executive Director Corporate Services as such a position was considered to be an unnecessary layer of management.
- 5 Unfortunately, the department never did significantly increase the number of Indigenous people on its staff – this was despite the best efforts of a number of extremely dedicated managers who developed innovative approaches and programs and pushed the boundaries of public sector processes in a genuine attempt to make real progress in this area.
- 6 A number of approaches were considered but the most interesting was the idea put forward by some of the brighter young people on the staff of a Future Leaders Advisory Group (this inevitably became known as FLAG). The purpose of this group was to work through the SLT agenda with the staff representative before the meeting and have the staff member briefed on the issues from the staff's perspective. This was time-consuming but the result was quality input to SLT meetings. As with all things, its success was directly linked to the commitment and enthusiasm of its members.
- 7 In 2000, as Chief Executive of the Department of Industries and Business, I had considered appointing a Chief Executive's Advisory Committee whose membership would be three or four people from the private sector to provide feedback on the effectiveness of the department's programs and to assist in developing strategic directions. This didn't proceed because of the electoral cycle and the subsequent abolition of the department. Nevertheless, it is an idea that seems to be worth investigating and trialling as part of the never-ending process of trying to do things better. Of course, there are sensitive issues but none of them is insoluble.