

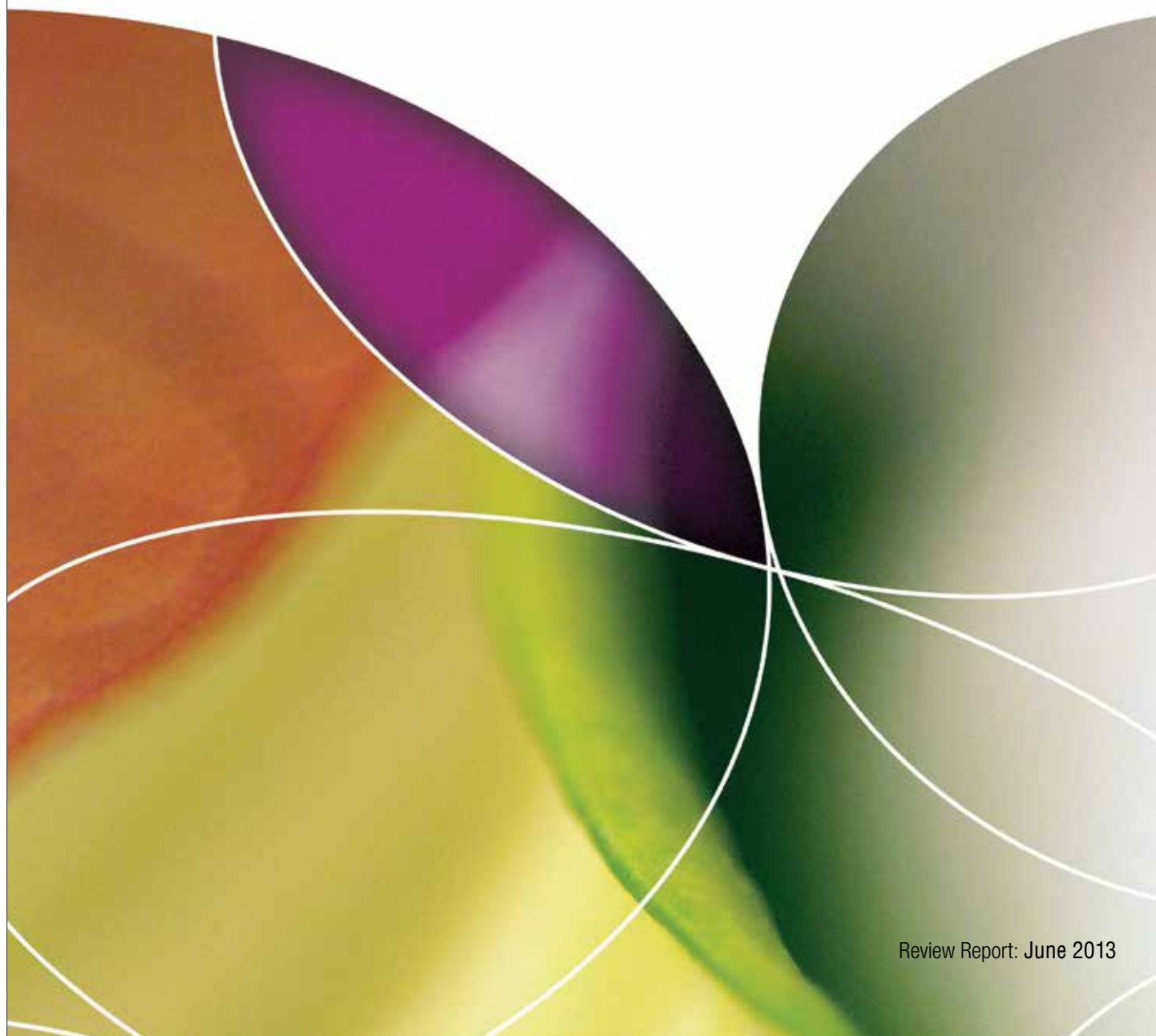


Australian Government
Australian Public Service
Commission

CAPABILITY REVIEW

Department of Foreign Affairs and Trade

Effective leadership Diverse workforce Capable organisations and workforce Employee conditions APS Values



Review Report: June 2013



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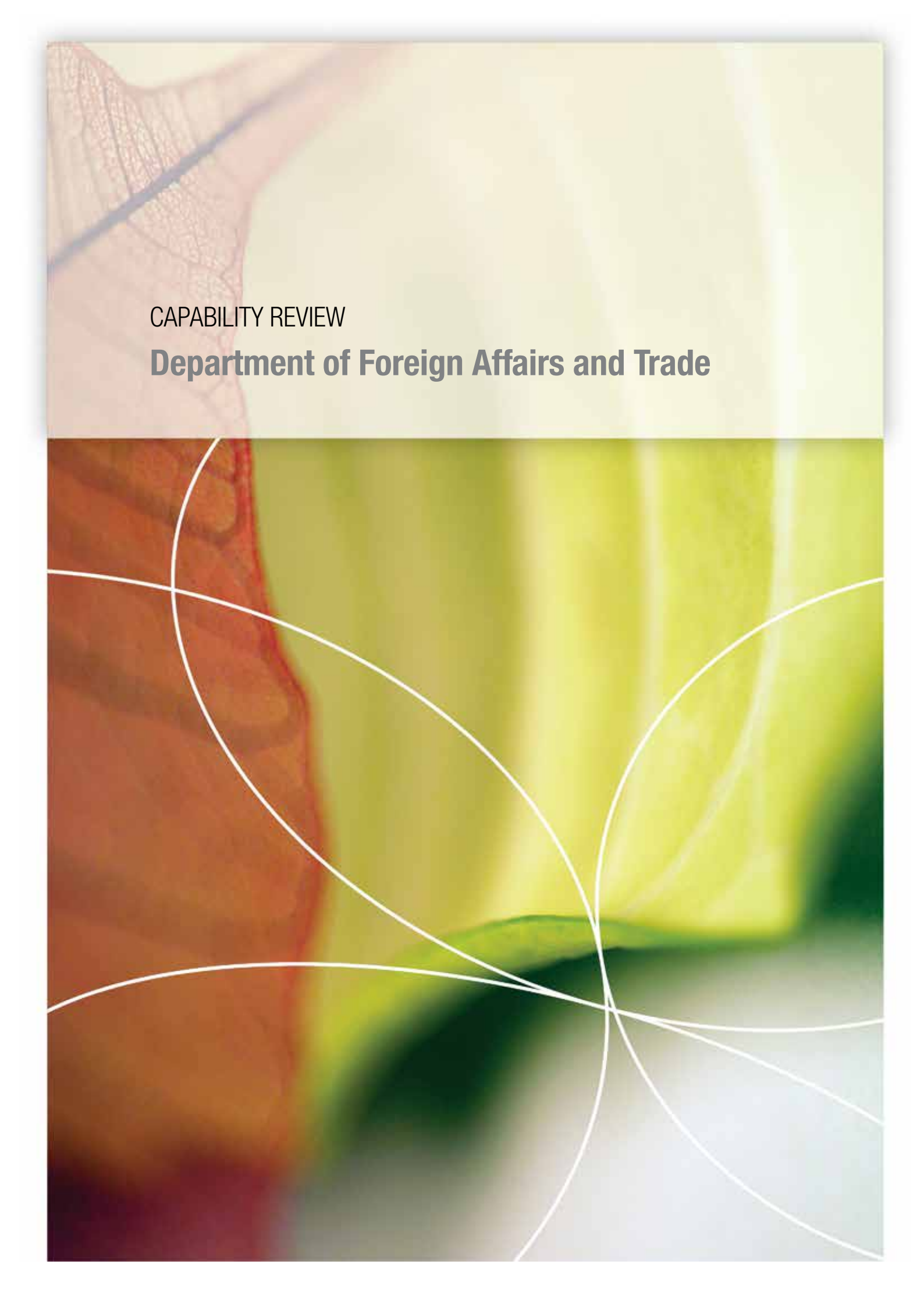
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CAPABILITY REVIEW

Department of Foreign Affairs and Trade

Foreword

The 2010 report *Ahead of the Game: Blueprint for the Reform of Australian Government Administration* recommended that the Australian Public Service Commission (APSC) undertake regular and systemic reviews to promote improved capability in the key agencies and to assess the institutional capability of the service as a whole.

The methodology used by the APSC to conduct these reviews has been gradually refined to more closely reflect the Australian context in which the review program is being conducted.

On the occasion of this review, I would like to thank the Department of Foreign Affairs and Trade for its professional and enthusiastic participation in the review. In particular, I thank the department's staff for their openness and engagement throughout the process. There is a clear desire to help build on their agency's capability.

I would also like to thank Mr Allan Gyngell AO, the chair of the review team, the other senior members of the team, Ms Helen Williams AO and Mr Ben Rimmer, and my own team from the APSC who support and advise them. Once again, this review has demonstrated the advantages of bringing together a team of this calibre.



Stephen Sedgwick AO
Australian Public Service Commissioner



Contents

1	About the review.....	1
2	About the department.....	2
3	Summary assessment.....	4
4	More detailed assessment of departmental capability.....	11
5	The department's response.....	34
6	Abbreviations and acronyms.....	36





1. About the review

A capability review is a forward-looking, whole-of-agency review that assesses an agency's ability to meet future objectives and challenges.

This review focuses on leadership, strategy and delivery capabilities in the Department of Foreign Affairs and Trade (DFAT). It highlights the department's internal management strengths and improvement opportunities using the model set out in Figure 1. A set of 39 questions is used to guide the assessment of each of the 10 elements of the model. Those assessments are included in Section 4 of this report.

Capability reviews are designed to be relatively short and take a high-level view of the operations of the department. They focus primarily on an agency's senior leadership, but are informed by the views of middle management who attend a series of workshops.

External stakeholders are also interviewed, including ministers, Australian Government central agencies, private sector companies, interest groups and clients.

The fieldwork for the capability review of DFAT was undertaken between 1 April 2013 and 14 June 2013.

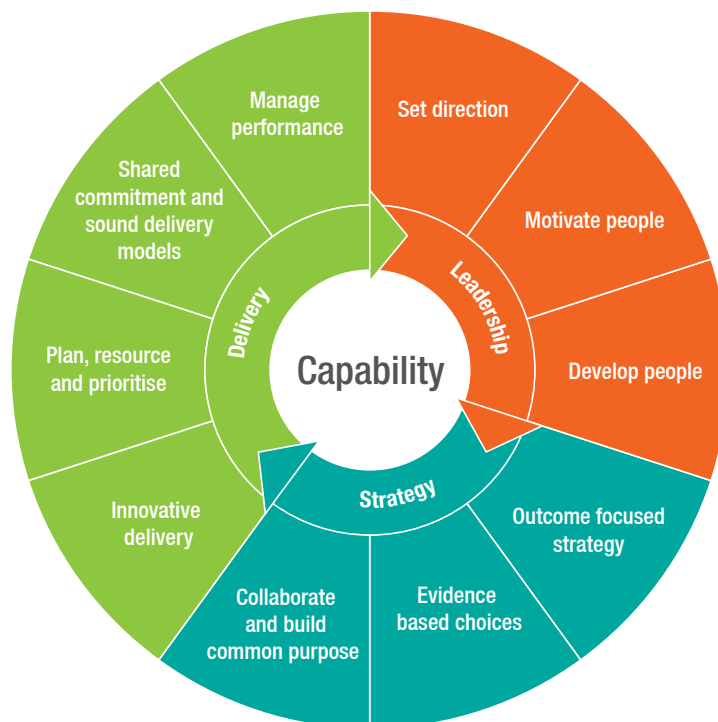


Figure 1—Model of capability

2. About the department

DFAT was established in its present form in 1987 with the merger of the then departments of Foreign Affairs and of Trade, but its antecedents, the departments of External Affairs and of Trade and Customs, date back to 1901.

DFAT is responsible for advancing the interests of Australia and Australians internationally. Its broad outcomes are set out in its Portfolio Budget Statement 2011–12 as:

- the advancement of Australia's international strategic, security and economic interests, including through bilateral, regional and multilateral engagement on Australian Government foreign and trade policy priorities
- the protection and welfare of Australians abroad and access to secure international travel documentation through timely and responsive travel advice and consular and passport services in Australia and overseas
- a secure Australian Government presence overseas through the provision of security services and information and communications technology (ICT) infrastructure, and the management of the Government's overseas owned estate.

DFAT serves two ministers—the minister for Foreign Affairs and the Minister for Trade and Competitiveness—as well the Parliamentary Secretaries for Pacific Island Affairs and for Trade. It also supports the Prime Minister and other ministers in their international activities, including when they are travelling.

The department's strong policy and advocacy role advances Australia's international objectives. Providing policy analysis and advice as well as reporting on international developments are among its central activities.

DFAT also provides a range of services to the Australian public. These include issuing 1.8 million passports each year, and delivering consular services, with more than 1500 cases active at any one time. It also provides services to other government agencies, including the management of the government's overseas estate, the government's global classified communications system, and common services for departments and agencies represented at Australian missions abroad.

The environment in which DFAT works is notably different from that of most other Australian Public Service (APS) agencies. Its staff, Australia-based and local, are employed across the globe, and international factors influence the department's outcomes more directly than they do other agencies.

In addition to its Canberra presence and offices in the states and territories, DFAT manages a network of 95 overseas posts in 77 countries. Heads of Mission, appointed by the Executive Council, are responsible for all aspects of Australia's relationship with their countries or organisations of accreditation, and for leading and managing the whole-of-government agenda across all agencies at posts.



In December 2012, DFAT had 4147 staff, of whom 2454 were Australian-based and 1693 locally-engaged staff employed overseas. Of the Australian-based staff, 639 were deployed overseas, 1512 in Canberra, and 303 in state or territory offices. Locally-engaged staff, including Australians recruited overseas, provide the department with in-country knowledge, expertise and continuity.

The department's activities are overseen by its Executive—the Secretary and four Deputy Secretaries. Responsibilities have recently been reallocated to bring all corporate and ICT functions under the oversight of one Deputy Secretary as a means of increasing coordination across those areas.

In Canberra, there are 14 divisions: six geographic divisions (North Asia; South-East Asia; Americas and Africa; Europe; Pacific; and South and West Asia and Middle East); three trade divisions (Office of Trade Negotiations; Free Trade Agreements; and Trade and Economic Policy); two multilateral divisions (International Security; and International Organisations and Legal); one Consular and Public Affairs division; and two corporate divisions (Corporate Management; and Information Management and Technology). Three stand-alone branches report directly to the Secretary or a Deputy Secretary (Executive, Planning and Evaluation; Policy Planning; and Protocol) as do the Australian Passports Office, Overseas Property Office and Services, and the Australian Safeguards and Non-Proliferation Office.

The department's budget for 2012–13 is \$1.29 billion, comprising operating funding of \$890 million, capital funding of \$63.3 million, administered funding of \$275.1 million, and an equity injection of \$62.1 million.

High levels of employee satisfaction and engagement are evident in DFAT's staff surveys. Areas for attention identified in the most recent survey included training and development, ICT services, career progression and agency culture.

3. Summary assessment

DFAT is a strong and agile organisation. The new Secretary and his leadership team have a solid base to build on as they work to shape the department's capabilities to meet future challenges.

As observed by the review team, DFAT's four principal functions are to:

1. provide policy advice to the Government on Australia's external relations, including trade
2. manage Australia's external relationships with key international actors—bilateral, multilateral and non-government
3. support Australians in their overseas engagement by assisting businesses and providing identity documents and consular support
4. run the underpinning infrastructure to make the first three objectives possible, through:
 - overseas network, including property and security at posts
 - international communications network
 - passports.

DFAT fulfils these functions most effectively. Its strengths lie in its ability to recruit and hold able and committed people, its flexibility and its capacity to deliver. Its challenges are in many cases the obverse of its strengths. Some examples are set out in this table:

Strengths	Challenges
Loyalty of staff to department	Institutional insularity
Flexibility of workforce	Churn and poor workforce planning
Talented generalists	Strains on specialisation
Excellence of overseas network	Less effective in Canberra
Excellent delivery in a crisis; 'can-do' approach	Suspicion of prioritisation, strategic planning
High responsiveness to Ministers	Less clearly articulated departmental views
Effective advocacy of existing policy	Less good at policy development

The review team concluded that DFAT has great potential to deliver more to the Government and to the Australian community. In doing so, it would also advantage itself and the broader public service. The team did not underestimate the complexity or difficulty of the task DFAT's leadership faces, but some areas where the team thinks significant capability improvements are possible are set out in this report.

Review team assumptions

In considering DFAT's capability needs in coming years, the review team made some general assumptions about the future.

The first was that the external environment DFAT has to deal with will continue to change in unexpected ways. Events like the end of the Cold War or the Global Financial Crisis will arrive unheralded and DFAT will have to respond quickly and flexibly.



The review team also made the broadly uncontroversial assumptions that global economic and political power will continue to flow to Asia; that Australia's domestic and international objectives will be increasingly intertwined; that a growing number of APS agencies will have a stake in the work of the overseas network; that DFAT officials will have to work with and influence a broader range of people and institutions inside and outside Australia; and that the resources available to the public service will continue to be stretched. DFAT will need continually to adapt to ensure it has the people, systems and processes in place to respond effectively.

Mission

It is clear from the review team's discussions that DFAT still faces difficulties in clearly articulating to outsiders what it does and adequately measuring the outcomes of its activities. It needs to find better ways of doing this, and explaining how Australia benefits, to others inside and outside government.

Part of the answer lies in the value of the assets DFAT alone can bring to the APS in an environment in which increasing amounts of the Australian Government's business have an international dimension. These assets include global horizon-scanning and warning-capacity based on its overseas network; a comprehensive understanding of ways of understanding, advocating to and influencing other governments and international organisations; and useful comparative insights from the experience of other countries into many parts of the government's agenda.

DFAT currently defines its role as 'advancing the interests of Australia and Australians internationally'. This expresses the department's mission predominantly in terms of the world outside Australia's borders. Perhaps it should instead think of its goals in broader terms that comprehend the full range of the government's interests—for example, to advance Australia's interests by engaging with and shaping the international environment.

The overseas network

The review team's observations underlined the view of all stakeholders that the overseas network functions most effectively. Overall, the work of posts in understanding the overseas operating environment and helping to implement policy is held in high regard. The review team saw outstanding examples of missions coordinating whole-of-government operations in ways that would be much more difficult in Canberra.

Decisions by successive Secretaries to preserve resources overseas at the expense of Canberra have strengthened the relative position of posts. Some larger missions are beginning to play a greater role in the policy development and ministerial support work of the department. This should be encouraged but its continuing effectiveness depends on continuing improvements to the flow of information between Canberra and posts.

Operating in Canberra

DFAT is not seen by other government agencies, or by some of its own people, as performing as well in Canberra as it does overseas. It is perceived as being distant from policy processes outside traditional national security and trade areas, even on issues like the global economy or energy where it has something to bring to the table. Others see that DFAT is not easily able to identify and engage proactively with emerging policy issues like the The Group of Twenty(G-20).

It is easier in many ways to work closely in the smaller and more collegial environment of an overseas post, where the focus is on advocacy for and implementation of established policy, than in the more competitive atmosphere of policy development in Canberra. But it was clear to the review team that other agencies believed DFAT could play a larger and more helpful role across the government's policy agenda in Canberra.

This was expressed by some as the view that DFAT should play more of a central agency-type role in informing discussion and shaping the development of the broad range of government policies wherever (as is increasingly the case) these have international political, economic or strategic dimensions.

If DFAT were to take on such a role, given resource constraints, it would be necessary for it to develop, across its divisions, a deeper understanding of the government's overall agenda, the capacity to assess issues on which it can add value, a broader network of contacts across the APS and, in many cases, a better coordinated whole-of-department position on these issues.

DFAT is seen as too detached from the work of the APS as a whole, not contributing sufficiently to (or learning enough from) the wider public service. Greater engagement in the work of public service reform and improvement would be one way to address this. So would more exchanges and secondments with a wider range of departments and agencies.

DFAT recognises that it has a serious problem in disseminating the knowledge drawn from its overseas network throughout the APS. It knows that it needs not just to report information but to ensure its effective distribution in Canberra. The Secretary's efforts to find better ways of achieving this will help greatly.

Strategic thinking

In the view of its own staff and others, DFAT is more effective at advocacy and delivery than at strategic thinking. Reasons given for this include pressures on staff in Canberra, demands (real and perceived) from ministers and the way Canberra-based officers think about their work. For example, briefing in Canberra is not seen as synonymous with policy development, which officers seem to think of in a more formal way—that is, as something like lengthy policy planning documents. The department might usefully reinforce in its training of officers the extent to which policy development is embedded in their daily activities.

DFAT is responding enthusiastically to the Secretary's efforts to encourage more debate about policy. As the Secretary said in his first address to staff: 'You only get good policy by testing it and the best way to test it is to constantly question it and I'd encourage you all to adopt that as your starting point'.

There are many ways to achieve this, from formal policy planning work to more crosscutting debate between divisions and discussions with outside agencies and experts. Such activities will also help cement the development of departmental views.

This will be welcomed by others. Many Canberra stakeholders told the review team they were looking to DFAT for stronger and sharper assessments, views and options to strengthen contestability and debate around the Cabinet table and between departments.

Innovation

Many DFAT officers speak about the department's culture as risk-averse. They seem to have different definitions of this—over-regulation, heavy compliance requirements, reluctance to take decisions, cultural conservatism.



The overseas network is mostly excluded from this criticism: a willingness to take risks seems greater outside Canberra. This might not be surprising given that some risks are diminished with distance from the centre, but, with the exception of main service delivery areas such as passports and consular, the effect has been to encourage more innovation at posts than in Canberra.

This issue will begin to matter more in coming years as DFAT has to find more efficient ways of delivering its wide range of services, from policy advice and briefing for ministers to overseas advocacy.

As resource pressures mount and new demands on DFAT's services grow, innovation will be more necessary in all areas of the department's activities. New ways of 'doing old things' need to be found, and that requires experimentation. For example, it may well be that some current manifestations of social media being tested by DFAT (for example, blogs and tweets) will prove ephemeral or inefficient as a tool of diplomatic tradecraft. But that can only be known if experiments are conducted.

It will also be necessary to encourage greater flexibility in the heavily compliance-driven resource framework. The current reform of DFAT's ICT system will help give it greater confidence to manage this change.

A number of ways, formal and informal, can be found to foster innovation and the review team encourage the department to give more thought to ways of doing so.

People

It is widely recognised within the department and by its stakeholders that DFAT's key strength is its people. The department attracts high-quality candidates for vacancies across all parts of its operations. Staff, including those employed locally in Australian missions around the world, are self-motivated and committed to getting the job done.

Those qualities are seen clearly in DFAT's highly-regarded responses to overseas crises such as the 2011 Japanese tsunami or the Christchurch earthquake.

DFAT's mobile workforce requires more centralised management than is usual in the APS. With the overseas network, the department demands a whole-of-life commitment from most of its staff that only the Australian Defence Force comes near.

But the current incentive structures (financial and delegation of work responsibilities) weigh heavily in the direction of overseas service. This contributes to the difficulties noted earlier in this report that DFAT has in operating as effectively in Canberra as it does overseas.

Another impact of running an overseas service is the more frequent than usual churn in Canberra-based positions (reinforced by time and emotion-intense aspects of moving between countries). This has important implications for DFAT, including the need for staff to quickly master new areas of work. While there is no inherent problem in these levels of churn in a policy team, it presents some capability challenges given the other difficulties the department is experiencing in its Canberra work and in knowledge management.

Perceptions remain that DFAT is a closed shop, and that persistent differences remain over a career between those recruited to the department as graduate trainees and those who come in later—so-called 'lateral recruits'. In fact these differences do not seem as great as they are sometimes perceived to be. Fewer than 50 per cent of DFAT's Senior Executive Services (SES) began in the department's graduate program, and half the department's SES Band 3 staff came into the department as lateral recruits. And the competitiveness of the graduate program ensures that many who join DFAT have extensive outside experience.

Insularity remains a problem for DFAT. However people arrive in the department, they become acculturated quickly and staff believe that promotion processes give greater weight to experience inside the department than outside. That seems to be one factor deterring more departmental officers from taking chances to accept positions outside unless they are allowed to retain their ties to DFAT.

Efforts are underway to broaden the range of secondments and exchanges with other agencies and departments and the review team encourages those. It would also be useful for DFAT to bring in officers at SES Band 2 and SES Band 3 level who have experience in the wider APS and intend to return to it.

Most important, perhaps, is the need for DFAT to recognise that promotion above a certain level should be demonstrably advantaged by evident familiarity with the broader public service.

Inside the department, the need for flexible generalists who can be easily moved and bring with them insights from other experiences will always have to be balanced against the continuing need for people with deep specialisation. From one perspective, DFAT can be seen—in the useful image of one SES officer—as being like a series of guilds, with staff focusing on certain areas of specialisation such as trade negotiations or China in the policy areas and ICT and security in corporate areas.

There will be no final answer to where the correct balance lies between specialisation and generalisation and how much interchange there should be, and it will be a constantly changing recruitment and training challenge for DFAT's management. The review team considers that efforts underway to develop clearer arrangements for the recruitment and retention of specialists are a useful step forward. It would also be useful to develop language and processes that more explicitly manage the accumulation of expertise during the course of a generalist career, for example through the idea of 'career anchors'.

The story with training is generally positive. DFAT has some of the best learning and development programs in the public service, for graduate trainees and foreign languages for example. But possible areas for improvement include the training of new staff entering DFAT from outside the graduate trainee program, language training for administrative and consular staff, and handovers at certain posts.

The department recognises the increasingly important role of locally-engaged staff, including Australians recruited overseas, at posts. The trend towards expanding the responsibilities of these staff is likely to continue and will have implications for training and career development.

DFAT would find it easier to develop all these new capabilities if it had a more effective and professional system of workforce planning. Although the argument in favour of placing generalist officers who understand the work of the department in line staffing positions is strong, DFAT would benefit from greater professionalisation of the human resource function. The review team notes that steps in this direction have begun. Such professionalisation would also help develop more sophisticated approaches to recruitment, mentoring and the management of underperformance.

Knowledge management

DFAT's core model—that of an organisation of generalists reinforced by specialists—can only work effectively if existing knowledge can be drawn on quickly and effectively by officers who will often be new to their areas and need to operate immediately in complex environments.

That is a problem at present. Too much of the information DFAT creates and receives, whether it is embedded in written product or in the experiences of officers, is difficult or impossible to retrieve. Some of this is the result of inadequacies with IT systems, but additional work is



required to clarify the protocols needed for electronic filing and retrieval systems and to identify and draw on the existing deep knowledge of staff members gained through past work experience. The review also suggests that DFAT might examine readily available and relatively low-cost improvements to its knowledge management systems.

ICT is central to the delivery of capability improvements in almost all areas noted in this review. It presents a major challenge for DFAT in an environment of rapid change. The reform of the ICT strategy and operations, begun in 2011, combined with moves to increase the professionalism of ICT, present DFAT with the opportunity to move well beyond a traditional view of ICT as a method of sending and receiving text to more as an enabler of productivity and innovation. Additional funding for the International Communications Network agreed in the 2013–14 Budget will be an important factor in helping to achieve this reform.

Planning and prioritisation

Like most foreign ministries, DFAT's corporate culture is uncomfortable with long-term planning. Conscious of the messy contingency of world politics, and the constantly shifting tactics of international negotiations, it prizes flexibility and responsiveness. Existing planning and evaluation processes at divisional and post-level tend to be conservative in ambition and unconnected. But the need for serious planning and prioritisation will become increasingly important. In a world in which, as the Secretary has said, DFAT will have to do 'less with less', judgements about priorities cannot be avoided. Much clearer prioritisation processes will be needed. And prioritisation can only be effective if it is drawn from a broad set of strategic objectives.

The review team encourages the department to develop a more clearly articulated set of strategies to help officers prioritise day-to-day decision making.

Stakeholder engagement

The great majority of non-government stakeholders were highly positive about DFAT's engagement with them. In some cases, outsiders found it difficult to identify the right contacts in the department. Given the increasing number of external stakeholders it must deal with, DFAT would benefit from a more structured stakeholder engagement policy, perhaps with the formal identification of relationship managers the most important of these.

Governance

The Secretary is examining DFAT's governance structures. The review team endorses this. It is not clear that the performance information flowing up the department is exactly what its leaders need most, or in a form likely to be of most use to them. The Executive should expect, and receive, high-quality data covering operational performance, policy development, people matters and other enabling services.

More broadly, it will be important—if DFAT is to meet most of the challenges outlined in this review—for ways to be found to strengthen a sense of shared corporate leadership through the ranks of its senior officers, including experienced representatives stationed overseas.

DFAT has strong foundations: a strong and dedicated workforce; in-built flexibility; an effective overseas network; and expertise unmatched in the APS in understanding the international environment. But better systems for the development of strategic goals and priorities, closer engagement with the broad priorities of the government and the rest of the public service, and a more formal approach to workforce planning would enhance the capabilities of DFAT itself and, just as importantly, those of the wider APS.

4. More detailed assessment of departmental capability

This section provides an assessment framed by the leadership–strategy–delivery structure of the capability review model.

Assessments were made according to the rating assessment set out in Figure 2.





	Strong	<ul style="list-style-type: none"> • Outstanding capability for future delivery in line with the model of capability. • Clear approach to monitoring and sustaining future capability with supporting evidence and metrics. • Evidence of learning and benchmarking against peers and other comparators.
	Well placed	<ul style="list-style-type: none"> • Capability gaps are identified and defined. • Is already making improvements in capability for current and future delivery, and is well placed to do so. • Is expected to improve further in the short term through practical actions that are planned or already underway.
	Development area	<ul style="list-style-type: none"> • Has weaknesses in capability for current and future delivery and/or has not identified all weaknesses and has no clear mechanism for doing so. • More action is required to close current capability gaps and deliver improvement over the medium term.
	Serious concerns	<ul style="list-style-type: none"> • Significant weaknesses in capability for current and future delivery that require urgent action. • Not well placed to address weaknesses in the short or medium term and needs additional action and support to secure effective delivery.

Figure 2—Rating descriptions

The review team's assessment of DFAT's capability is outlined in the tables below.



Leadership

Set direction		Well placed
Motivate people		Well placed
Develop people		Well placed

Strategy

Outcome-focused strategy		Development area
Evidence-based choices		Well placed
Collaborate and build common purpose		Development area

Delivery

Innovative delivery		Well placed
Plan, resource and prioritise		Development area
Shared commitment and sound delivery models		Well placed
Manage performance		Development area

4.1 Leadership summary

Set direction

- DFAT has many strong and experienced leaders, but there could be a greater sense among the SES of a shared responsibility for departmental leadership.
- Staff understand, and have a high level of commitment to, the department's broad role. They can see how their work contributes to it. But clearer strategies would help them translate that commitment into better prioritised day-to-day decision making across the department's operations.
- DFAT is better at responding to events externally than it is in dealing with their consequences for its internal operations. It needs better change management processes.
- The department's role and contribution is less well understood by external stakeholders in Canberra and the wider community.

Motivate people


- Staff are highly motivated, resilient and proud to work in DFAT, where they can build a long career of interesting and challenging work.
- Locally-engaged staff are a critical asset, a source of in-country expertise, relationships and stability.
- The department is highly responsive and adaptable as issues emerge, but internal churn in Canberra-based roles can limit the development of expertise.
- A DFAT officer's career is often defined by overseas service. The department's leadership has a challenge in reinforcing the value and relevance of working in Canberra.
- It would be worth DFAT taking a closer look at work flow processes and levels of delegation in Canberra.

Develop people

- DFAT has a mix of policy and corporate, generalist and specialist staff, reflecting the diversity of its responsibilities. It has maintained a consistent investment in their development in the face of budgetary constraints.
- The department's learning and development programs, especially its graduate recruitment and language training, are highly regarded.
- Staff are generally managed as pools of talent, with special weight placed on training and placements directed to developing a cadre of skilled officers for overseas service. This model places increased responsibility on departmental leaders to manage and mentor staff careers carefully.
- The recognition and development of locally-engaged staff at overseas posts will be increasingly important.
- A more strategic, professionally-assisted approach to workforce planning, recruitment and development would help identify areas of future need and strengthen the department's capabilities.
- More active efforts to draw upon and value the experiences of others—inside the APS and outside—would assist DFAT in the complex management and policy challenges it faces.

Comments and ratings against the components of the leadership dimension follow.

Set direction

Guidance Questions		<p>1 Is there a clear, compelling and coherent vision for the future of the organisation? Is this communicated to the whole organisation on a regular basis?</p> <p>2 Does the leadership work effectively in a culture of teamwork, including working across internal boundaries, seeking out internal expertise, skills and experience?</p> <p>3 Does the leadership take tough decisions, see these through and show commitment to continuous improvement of delivery outcomes?</p> <p>4 Does the leadership lead and manage change effectively, addressing and overcoming resistance when it occurs?</p>
Rating		Well placed

*A solid base to build on*

DFAT is a strong department with a record of substantial achievement and a committed workforce. These strengths provide a solid base upon which to deal with future challenges.

Across the department, high-calibre leaders have played an impressive leadership role, representing Australia most effectively in difficult and at times dangerous circumstances. The leadership role of Heads of Mission in coordinating the whole-of-government activities across agencies at overseas posts is generally highly regarded.

Staff understand and share DFAT's broad mission. According to the 2012 staff survey, 87 per cent of staff see the link between their work and the department's outcomes, and 70 per cent report that the department has a clear understanding of its strategic directions. DFAT performs above the APS average on both of these.

The difficulty DFAT has in describing and measuring the nature of its work—common to most foreign ministries—hinders its ability to persuade the Government and the public of the value of investing in its activities. The department needs to find better ways of explaining what it does and how Australia benefits.

Part of that explanation would certainly involve DFAT's global horizon scanning capacity: in an increasingly inter-connected world it can see problems coming before other parts of the APS. It also offers useful comparative insights into all parts of the government's agenda.

But any solution also requires the department to think more comprehensively about its contribution to the broader aims of Australian policy. DFAT currently defines its role as being 'advancing the interests of Australia and Australians internationally'. This expresses the department's mission predominantly in terms of the world outside Australia's borders. Perhaps DFAT should instead think of its goals in broader terms that comprehend the full range of the government's interests—for example, to advance Australia's interests by engaging and shaping the international environment.

Other agencies told the review team that they would welcome greater DFAT engagement in Canberra with the development of ideas about, and the effective implementation of, the increasing number of Australian Government policies with an international dimension.

Internal alignment

Although the department's broad vision is clear internally, its specific objectives, both immediate and longer term, are less so. During the review a number of senior managers spoke of the need for clearer articulation of departmental strategy. Staff receive little formal guidance on day-to-day decision making. The series of reports from executive meetings and management circulars that form the department's primary means of internal communications are of variable value in clarifying strategic intent for staff.

The department's 2012 staff survey indicates that 51 per cent were satisfied with the Executive's communication to staff (a substantial improvement from 40 per cent in 2010). The Secretary has continued regular forums in which a range of key policy and administrative issues are discussed with staff. These forums are strongly welcomed.

A more formal strategic planning framework defining DFAT's strategic intent and clarifying its immediate and longer-term objectives would help staff understand better what is expected of them as priorities change. Staff suggested, and the review team agrees, that more formal planning would provide an opportunity and an incentive for work groups to discuss competing priorities and share and leverage resources. Such a process would have the additional advantage of helping develop the strategic thinking skills the Secretary is determined to encourage.

The review team recognises that DFAT's priorities are often not of its own making. The uncertainties of global events and the interests and initiatives of ministers are outside the department's control. But such a variable and contingent environment reinforces the importance to the department of environmental scanning and planning. Any planning framework must, of course, be flexible and open to change, but DFAT's strong reputation for effective response needs to be matched by a greater openness to planning and prioritisation.


Leadership and change

Examples of good leadership are found throughout the department. But too pervasive a sense remains that leadership is the responsibility of the Secretary and Deputy Secretaries rather than a more broadly shared responsibility across the department, including senior Heads of Mission overseas. Stronger and more collegial leadership, focused on the need for and direction of change, would give greater clarity to organisational direction and help effective change management.

Although DFAT has one of the highest proportions of SES staff across the APS, staff engagement in the leadership of the department was reported in the State of the Service Report 2011-12 at 10 points below the APS average.

With no major machinery of government changes for more than 25 years, DFAT has experienced less formal change than many other APS agencies. This makes it more important that its leadership understands how internally driven change management processes can improve departmental capability and might apply in the new circumstances DFAT will encounter over the coming years.

Motivate people

Guidance Questions		<p>1 Does the leadership create and sustain a unifying culture and set of values and behaviours which promote energy, enthusiasm and pride in the organisation and its vision?</p> <p>2 Are the leadership visible, outward-looking role models communicating effectively and inspiring the respect, trust, loyalty and confidence of staff and stakeholders?</p> <p>3 Does the leadership display integrity, confidence and self-awareness in its engagement with staff and stakeholders, actively encouraging, listening to and acting on feedback?</p> <p>4 Does the leadership display a desire for achieving ambitious results for customers, focusing on impact and outcomes, celebrating achievement and challenging the organisation to improve?</p>
Rating		Well placed



Motivated workforce

DFAT's staff is motivated, career-oriented and responsive. They see the department's work as varied, interesting and important. Pride in working in DFAT is well above APS agency average at 81 per cent in the State of the Service Report and 85 per cent in the DFAT staff survey. Many staff consider their involvement with the department to be a career-long endeavour. Almost everywhere, staff seek ambitious results for customers, but as noted elsewhere in this review the definition of who customers are might need to be broadened.

The strong culture readily adapts to crises and supports a high level of internal mobility, as staff actively look for postings and new challenges in different work areas, task forces and project teams. Personal integrity is held as an important value and staff surveys are very positive on these issues. Although the response sample was small, direct comparison with other APS agencies in the State of the Service Report shows positive outcomes except on issues related to work-life balance, wellbeing issues such as safety, and on being part of the APS.

The incentive system is weighted towards overseas postings, which are financially rewarding and offer staff greater autonomy and responsibility than do roles in Canberra.

Risk aversion


Staff and external stakeholders frequently described DFAT's culture as risk averse. Evidence pointed to the escalation of decision making, formulation of overly cautious policy advice and a regime of administrative compliance greater than in other agencies. Some staff found the level of risk aversion demotivating.

DFAT's external risk maturity was rated by Comcover at the target level in its 2012 assessment. The department might benefit from applying rigorously those same concepts to some of its internal decision-making processes so that risk decisions are based on analysis of likelihood and consequence rather than by history and culture.

Empowerment

There was a general consensus in the department that while staff were empowered in particular roles, such as duties at posts or in trade negotiations, in general their autonomy was much more circumscribed in Canberra. This no doubt partly reflects the different nature of work overseas, but the review team suggests it would be worth DFAT looking more closely at work flow processes and levels of delegation in Canberra.

Develop people

Guidance Questions		<ol style="list-style-type: none"> 1 Are there people with the right skills and leadership across the organisation to deliver your vision and strategy? Does the organisation demonstrate commitment to diversity and equality? 2 Is individuals' performance managed transparently and consistently, rewarding good performance and tackling poor performance? Are individuals' performance objectives aligned with the strategic priorities of the organisation? 3 Does the organisation identify and nurture leadership and management talent in individuals and teams to get the best from everyone? How do you plan effectively for succession in key positions? 4 How do you plan to fill key capability gaps in the organisation and in the delivery system?
Rating		Well placed

DFAT employs a complex mixture of staff for general policy and administrative positions in Canberra and overseas and more specialist jobs in both categories. In addition, a separate group of locally-engaged staff—foreign nationals and, in an increasing number of cases, Australian expatriates—are employed under different national systems at its posts.

Because of its need for flexibility, the department places most weight on employing generalist staff in Australia who can move between different areas here and overseas. It has strong development and training programs, especially in core diplomatic skills and foreign languages. Learning and development has been largely quarantined from budget cuts.

DFAT's diversity strategies are strong and appropriate, including in the modification of standardised APS-wide policies to better suit particular needs. For example, the department directly targets Indigenous student centres at universities to attract high-quality Indigenous applicants to its graduate programs. Like all agencies, however, there will be continuing challenges to overcome in this area.

The department's staff exchanges with, and secondments to, other APS agencies, foreign ministries and external agencies have a long history and the review team encourages current efforts to develop these further, and with a wider range of partners.

Locally-engaged staff make a significant contribution to DFAT's work, providing stability and continuity at overseas posts through the cycle of postings by Australia-based officers, and offering invaluable local relationships and expertise. The department recognises the growing

role of these staff. Greater opportunities for their career development and progression will be of increasing importance in a resource-constrained world.



A self-contained universe

Senior leaders frequently referred to DFAT's low attrition as a reflection of the commitment of staff. The department's long-term attrition is below the APS average, although it has increased in recent years and is now at the APS average. But it is not at all clear that a higher attrition rate would cause harm. In fact, more movement in and out may open DFAT to new ideas and greater opportunities for collaboration, and improve whole-of-government engagement.

A major issue for the department, in the view of the review team, is not that too few staff have external experience. More than 50 per cent of the SES arrived in DFAT from outside its graduate recruitment stream. It is the relative weight, noted by many laterally-recruited staff, that is placed on internal experience rather than knowledge gained outside through posting and promotion processes. No matter how staff arrive, they tend to be pulled quickly into what the Secretary has described as DFAT's 'self-contained universe'.

DFAT staff also place significantly less weight than the APS average in responding to whether working in the public service 'is important to how I see myself as a person' (32 per cent compared with 41 per cent). In addition, stakeholders and available evidence point to DFAT staff at all levels being less frequent participants in APS-wide opportunities for collaboration and engagement, such as the APS200 and other APSC forums. The department's role within the APS could be strengthened to its own benefit and that of the wider service if DFAT officers played a more active role in APS activities.

A more strategic approach to workforce planning

DFAT's current approach to staff management is highly centralised. For example, weekly staff planning meetings with the Executive is the principal means of aligning people management practices with departmental priorities.

This centralised approach allows for the easy management of a highly mobile workforce, but it reduces the scope for broader inputs and is less effective for long-term planning. The review team considers that DFAT would benefit from an approach to workforce planning and people management that ensures long-term needs are built into recruitment plans, that learning and development efforts are directed at areas of greatest need and expectations of leadership and management roles are more clearly defined.

Staff survey results indicate variation in the quality of leadership and management across the department. The development of action plans in all work areas indicates the importance DFAT places on addressing staff concerns. The department has introduced some highly regarded leadership development opportunities in recent years and invests in international leadership programs for selected senior leaders. Nonetheless there may be opportunities for a more planned approach to this issue. A more strategic approach to human resources management, for example, could raise the quality of performance management discussions, focusing attention where it is most needed and improving the quality of leadership and management more generally.

DFAT has recognised a need for improved workforce planning and the review team encourages the steps being taken to add greater professional human resource management skills in staffing.

Senior managers noted that allocating staff through the centralised staffing model results in a high level of internal churn (exacerbated for DFAT compared with other APS agencies by complications of overseas posts).

Career management

DFAT's management of most staff as pools of generalist talent fits well with its goal of creating a skilled cadre of diplomats and administrators for the demands of the foreign service. But such an approach places greater weight on the role of departmental leadership in the careful management of careers for all staff.

DFAT will always have to balance carefully its need for generalist officers who give the department agility and responsiveness with the demand for greater specialist skills in some areas. In some cases this need will best be met by dividing specialist positions from the general DFAT stream, as the department is now doing. In other cases, this need will be met by encouraging and managing more actively the already widespread development by officers of areas of expertise—career anchors—to which they will return several times in the course of a broader career.



4.2 Strategy summary

Outcome-focused strategy

- The department has a clear sense of the ministers' and government's foreign and trade policy priorities, and is focused on delivering outcomes.
- The lack of an overarching strategic framework has hindered DFAT's ability to plan over the medium and longer term, and to incorporate broader government policy interests easily into its goals.
- The line of sight from individual roles through to departmental objectives can therefore be opaque, making it more difficult for officers to know what constitutes success.

Evidence-based choices


- DFAT has a strong information-gathering network, but the broader dissemination and easier retrieval of that information would have wide benefits inside and outside the department.
- As part of the department's current efforts to address this problem, a comprehensive review of the current instructions on the purpose of cables and the way they are used would be useful.

Collaborate and build common purpose

- DFAT can play a larger, helpful role in the development of policies across the APS that have, as so many now do, a broader international dimension.
- That will require the department to understand better than it does the value it can bring to discussion of national policy issues outside the traditional national security and trade policy space.
- At posts, DFAT works well across other agencies and presents an effective whole-of-nation perspective. There would be benefits in its bringing more of this experience to its work in Canberra.
- The department would benefit from a more structured stakeholder engagement policy, perhaps with the formal identification of relationship managers for the most important of these.

Comments and ratings against the components of the strategy dimension follow.

Outcome-focused strategy

Guidance Questions		<ol style="list-style-type: none"> 1 Does the organisation have a clear, coherent and achievable strategy with a single, overarching set of challenging outcomes, aims, objectives and measures of success? 2 Is the strategy clear about what success looks like and focused on improving the overall quality of life for customers and benefiting the nation? 3 Is the strategy kept up to date, seizing opportunities when circumstances change? 4 Does the organisation work with political leadership to develop strategy and ensure appropriate trade-offs between priority outcomes?
Rating		Development area

DFAT staff understand, and are committed to, the department's overall mission. But the department would benefit from the development of more specific strategies in policy and corporate areas to support the mission. This was a common message to the review team from inside and outside DFAT. This has been noted by others, including through the 2012 Inquiry into Australia's Overseas Representation by the Joint Standing Committee on Foreign Affairs, Defence and Trade.

Stronger strategic planning processes would assist DFAT to better identify, describe and plan for the challenges it will face over the next few years.

Strategic alignment

DFAT's Portfolio Budget Statement and annual report set out its broad outcomes. These have changed little over the past four years.

Divisions and posts determine their own priorities annually, with the Secretary and four Deputy Secretaries. The results are set out in the Divisional Evaluation Reports and Post Evaluation Reports, which plan for the next 12 to 18 months and evaluate the previous time period. These reports are not formally linked with each other or wrapped into a broader departmental plan. The objectives they set vary in precision and measurability.

The establishment of DFAT priorities is essentially made at the most senior levels between the Secretary and the Deputy Secretaries. The result manifests itself most clearly in decisions on staffing and resources. Staff receive advice on priorities through the Secretary's speeches, administrative circulars and the flow of information to lower-level staff from meetings of Division Heads. Many staff told the review team they would benefit from a clearer understanding of priority-setting processes.

The task of establishing effective planning and prioritisation processes, with sufficient senior leadership input, is a challenging one in a government department exposed to contingency in world affairs and government policy directions. The review team envisages an approach that:

- takes government direction as a starting point
- links performance agreements from the Secretary down
- incorporates and strengthens the existing Divisional Evaluation Report and Post Evaluation Report processes
- gives sufficient weight to policy, service delivery and internal capability matters
- operates over the short and medium-term, picking up matters where work is needed now to support outcomes in 18 to 36 months, as well as matters which are immediate and pressing.



The review team is conscious that a successful approach to planning in the department would rely heavily on regular discussion and debate, say every three months, rather than lengthy documentation that is stable over a three-year planning cycle.

Planning and prioritisation are also relevant to internal capability building efforts. Indeed, more explicit prioritisation processes would convey a sense of priority on internal matters as well as contribute to the shared leadership of departmental capability that is currently lacking.


Some work units, such as the Information Management and Technology Division, the Australian Passports Office and the Overseas Property Office, have strategic plans that set out clearly defined outcomes and objectives. Despite the obvious differences between these work units and the policy development divisions, these strategic plans could be used as a model across DFAT to develop a better, more integrated whole-of-department agenda. This is already happening in the consular and public diplomacy areas.

The department has a strong sense of the ministers' and the government's priorities, and works effectively to support ministers, to advocate and implement policy and deliver services.

The Secretary indicated in his first speech to DFAT that while staff should be mindful of the political environment, they should always give true policy options and recommendations:

Our job is not to anticipate what a minister wants and to make sure that we give it or say it. We're not here to second guess political judgements. By all means we need to be sensitive to the environment in which our ministers work and in which the government works. But we should always call it as we see it.

Evidence-based choices

Guidance Questions		<ol style="list-style-type: none"> 1 Are policies and programs customer focused and developed with customer involvement and insight from the earliest stages? Does the organisation understand and respond to customers' needs and opinions? 2 Does the organisation ensure that vision and strategy are informed by sound use of timely evidence and analysis? 3 Does the organisation identify future trends, plan for them and choose among the range of options available? 4 Does the organisation evaluate and measure outcomes and ensure that lessons learned are fed back through the strategy process?
Rating		Well placed

Knowledge management

One major objective of DFAT's overseas network is to provide an information gathering capability to enable the government to understand, respond to and shape overseas developments. This information is mostly fed back to Canberra in the form of cables over the department's communications system, Secure Australian Telecommunications and Information Network (SATIN High). The cable system ensures information is distributed more widely and more formally than is usually possible in emails or telephone calls and is centrally searchable and retrievable.

But the volume of information generated is so great, and the distribution challenges to other APS agencies (where SATIN High terminals are usually scarce and hard to access) so significant, that valuable information does not get to all who might benefit from it. The review team sees this is a major loss for the APS. The review team encourages the Secretary in the moves already underway to examine ways of ensuring that information from DFAT is distributed and retrieved more easily. The review team suggests that, as part of this, a comprehensive review of current instructions on the purpose of cables and the way they should be used would be useful.

The department's capacity to retrieve and access information effectively is vital in an environment of frequent staffing changes. In line with the government's policy on digital record keeping, DFAT has transferred its records to an electronic data and records management system. The importance of the standards and business rules underpinning the system, however, are less well embedded in DFAT's culture with the result that the difficulty of locating stored information promptly was mentioned frequently to reviewers.

Increased emphasis on the importance of, and training in, practices governing digital records management, such as standard terms and naming conventions, backed by a stronger retrieval and search capacity would do much to aid user acceptance and improve system functionality overall. This should be a high priority for DFAT in the interests of more effective knowledge management.

As the review team noted, however, knowledge management is broader than electronic systems. High levels of mobility within DFAT generate gaps in corporate knowledge within divisions, especially given the absence of staffing handovers in most cases. Better ways of identifying and drawing upon the rich knowledge of others in the department would offer real capability advantages.

New approaches to evidence and analysis

Many stakeholders and internal interviewees told the review team they wanted more strategic thinking from DFAT. In many respects, this can be seen as a call for different analytical techniques to be employed and for different approaches to assessing evidence to be used. In particular, it would be helpful for DFAT to explore greater use of quantitative analysis, including financial and economic analysis where relevant, more use of transparent policy options with comparative analysis between options, and greater efforts to paint a dynamic analytical picture, including trends and projections.

Together with scenario-based approaches and more focus on horizon scanning, these approaches would make more explicit to stakeholders some matters that DFAT officers take for granted, making for more inclusive foreign policy development and providing Canberra stakeholders with more obvious advantages from their engagement with DFAT. It would also help to create more contestability, and build more ideas into the policy conversations in which the department is involved.


Given the nature of the foreign policy challenges ahead, it will be increasingly important to have a capable cadre of economists within DFAT's foreign policy team, to achieve even greater levels of cooperation and engagement with Treasury, and to reduce duplication and role ambiguity.

Such techniques and analytical approaches could usefully be employed in pursuit of internal capability issues such as workforce planning or cost reduction. It is striking that a department with such high levels of analytical capability does not seem to subject its own operations to the same level of rigour to which it subjects policy proposals.

Learning lessons

The department provides solid examples of good practice in capturing lessons learned for future use. For example, the Crisis Management and Contingency Planning Section undertakes a lessons learned exercise following every consular crisis. This incorporates feedback from posts, members of the crisis centre cadre, DFAT divisions, departmental executive and other government agencies. Lessons learned in the earlier unsuccessful United Nations Security Council campaign were used in the development of the strategy for the successful 2012 bid. The value of these examples and the operational changes that resulted should encourage such work.

Collaborate and build common purpose

Guidance Questions		<ol style="list-style-type: none"> 1 Does the organisation work with others in government and beyond to develop strategy and policy collectively to address crosscutting issues? 2 Does the organisation involve partners and stakeholders from the earliest stages of policy development and learn from their experience? 3 Does the organisation ensure the agency's strategies and policies are consistent with those of other agencies? 4 Does the organisation develop and generate common ownership of the strategy with political leadership, delivery partners and citizens?
Rating		Development area

Selling DFAT's value

It is clear that at its overseas posts, DFAT plays an effective coordinating role. Drawing on the Prime Minister's directive on overseas service, the department's officers place a high value on their relationships with attached staff from other departments. But DFAT's engagement with other agencies within Australia is seen by many APS leaders as more limited and less effective.

A number of reasons for this have been suggested, including the nature of policy development work in Canberra compared with advocacy and implementation at posts, resource pressures on the department, and a certain institutional insularity (often reinforced by long periods of time overseas) which means the networks of contacts which other agencies around Canberra use effectively are absent.

This is a loss for DFAT and the broader public service because the strengths the department uniquely brings to the policy table—a global network with knowledge of the external environment and expertise in operating in it—will be of increasing demand across the agenda of the Australian Government.

As the Secretary has pointed out, the days when DFAT could be the sole point of contact between the Australian Government and the outside world have long passed. Most Australian Government agencies operate actively and effectively overseas, often directly with their counterparts (although it is possible that future resource pressures will limit rather than increase external representation by other APS agencies, increasing the pressures on DFAT). But the strategic and tactical insights DFAT can bring to the agenda of others, its cross-government knowledge and its horizon-scanning capacities are not as well used as they should be.

DFAT should approach the task of building networks of influence in Canberra with the same gusto it applies at posts and use those networks to identify carefully selected issues on which it can add value. It would also need to develop across its divisions a deeper understanding of the government's overall agenda, an assessment of issues on which it can add value and, in many cases, a better coordinated whole-of-department position on those issues.

Engaging with stakeholders

The great majority of non-government stakeholders were highly positive about DFAT's engagement with them. Posts were held in strong regard by business and other clients. Experience in dealing with the department in Canberra was more varied. Trade divisions were experienced and effective in dealing with their stakeholders. But in some other cases, outsiders found it difficult to identify the right people to deal with in the department, although the experience was usually positive when connections were made. In other cases, the absence of an agreed departmental position in meetings caused problems. Given the increasing number of external stakeholders it must deal with, DFAT would benefit from a more structured stakeholder engagement policy, perhaps with the formal identification of relationship managers for the most important of these.

Portfolio agencies

Because other agencies in the portfolio operate so closely with DFAT overseas, smooth information flows, a better understanding of priorities and respectful relationships at all levels are essential to maximising the benefits to be obtained from the government's overseas operations.



4.3 Delivery summary

Innovative delivery

- Evidence of innovation and continuous improvement is found in a number of DFAT's service processes, particularly passports, property and consular services.
- However innovation and experimentation more widely can be impeded by a culture of risk aversion. More should be done to encourage innovation in the department and to share results.

Plan, resource and prioritise

- Prioritisation needs to be more transparent and coordinated across divisions, and more explicitly linked to strategy discussions, to generate shared understanding of relative trade-offs.
- Central control of resources provides DFAT with the ability to manage a highly mobile workforce but limits the ability of divisions and posts to adjust resources to reflect their own requirements.
- DFAT's business culture needs to move further away from compliance towards strategic financial management.

Shared commitment and sound delivery models

- DFAT delivers many services effectively but the development of strategic policy is more ad hoc.
- The overseas network functions effectively, particularly in managing crises and maintaining bilateral and multilateral relationships.
- Overseas posts need to be drawn more directly into the policy process. This will require better information flow between Canberra and posts.
- There seems to be a sharp difference in the minds of departmental officers between day-to-day briefing and strategic policy. The department might usefully reinforce in its training of officers the extent to which policy development is embedded in their daily activities.


Manage performance

- Performance information is used to manage service delivery in some functional areas. This reporting should be available at departmental level.
- The Post Evaluation Report and Division Evaluation Report processes would benefit from having more precise performance and success measures.
- DFAT needs people with specialist skills in performance evaluation, who know the right questions to ask.

Comments and ratings against the components of the delivery dimension follow.

Innovative delivery



Guidance Questions		<ol style="list-style-type: none"> 1 Does the organisation have the structures, people capacity and enabling systems required to support appropriate innovation and manage it effectively? 2 Does the leadership empower and incentivise the organisation and its partners to innovate and learn from each other, and the front line, to improve delivery? 3 Is innovation explicitly linked to core business, underpinned by a coherent innovation strategy and an effective approach towards risk management? 4 Does the organisation evaluate the success and added value of innovation, using the results to make resource prioritisation decisions and inform future innovation?
Rating		Well placed

DFAT is responsible for the delivery of a wide range of outcomes. These include advice on foreign and trade policy to its own ministers; advocacy for, and implementation of, those policies in Australia and overseas; assistance to other ministers and APS agencies in their international activities; and support for the activities of Australians abroad. It also delivers the infrastructure that make these things possible: the overseas network, including property and common services to Australian agencies represented overseas; the international communications system; security at overseas posts; and the provision of consular services and passports to Australians.

Strong examples of innovation can be found around the department and at its overseas posts. Nevertheless, an innate caution in the department's culture and the risk aversion noted by many departmental officers makes innovation in other delivery areas rarer.

The many DFAT officers who described the department's culture as risk-averse to the review team seemed to apply different meanings to the term: over-regulation; reluctance to take decisions; and policy conservatism. The overseas network is mostly excluded from this criticism—a willingness to take risks seems greater outside Canberra. It might not be surprising that risks are diminished with distance from the centre, but the effect is to encourage a wider range of innovation at posts than in Canberra.

Innovation and continuous improvement in Canberra is most evident in the delivery of passport as well as property and consular services—for example, in the Australian Passports Office's new facial recognition capability.

An appropriate approach to innovation necessarily involves mature and sophisticated engagement with risk, and therefore a well-developed risk management approach. The current risk-averse culture does not result in zero risk. It reduces the likelihood of some risks, but leaves others unmanaged and unaddressed. For example, the lack of an articulated approach to innovation in policy development may be one reason stakeholders commented on DFAT's caution in adding new ideas to complex policy debates. A successful innovation culture in the department would also see the potential for innovation in all areas of work, ranging from management of property to engagement with Asia. Innovation is not simply about new technologies.


Experimentation needs to be encouraged more widely in delivering the department's less tangible services, including policy advice to government and management of external relationships. Innovative ideas need to be evaluated, rewarded and systematically carried throughout DFAT. This objective is linked as well to the need for better capability in knowledge management, addressed earlier in the report.

Opportunities to learn from each other

The department attracts and retains exceptional people, but greater connections between staff and their colleagues from other APS agencies and the broader business community would offer exposure to new ways of doing things and better understanding of how to operate more effectively across government. As outlined in the leadership discussion, greater staff movement in and out of DFAT would bring with it new ideas and different perspectives, strengthening innovation capability.

Greater demands should be placed on staff to evaluate their activities and processes against outside benchmarks and to look for more effective ways of doing things. The department's success in responding to rapidly increasing demand for consular services demonstrates that it is capable of thinking radically about its delivery models.

Plan, resource and prioritise

Guidance Questions		<ol style="list-style-type: none"> 1 Do business planning processes effectively prioritise and sequence deliverables to focus on delivery of strategic outcomes? Are tough decisions made on trade-offs between priority outcomes when appropriate? 2 Are delivery plans robust, consistent and aligned with the strategy? Taken together will they effectively deliver all of the strategic outcomes? 3 Is effective control of the organisation's resources maintained? Do delivery plans include key drivers of cost, with financial implications clearly considered and suitable levels of financial flexibility within the organisation? 4 Are delivery plans and programs effectively managed and regularly reviewed?
Rating		Development area

In circumstances of continuing constraint, the Secretary's injunction to do less with less is widely appreciated. But such an approach will require a much clearer and more formally developed prioritisation process than DFAT currently has. The review team encourages the Secretary's efforts in this area.

Transparent and strategic prioritisation

Clearer, more transparent, cross-department strategies are needed to link priorities to the resources required to achieve them.

Under DFAT's established system for planning and prioritisation—the Divisional Evaluation Report and Post Evaluation Report processes—divisions and posts agree on their priorities and full-time equivalent (FTE) allocation for the forthcoming year with the Executive, as part of an annual performance review. The agreed priorities are not weighted, nor explicitly linked with the FTE effort needed to deliver them. Instead the FTE allocation is based on a roll-over figure from previous years, adjusted to reflect changes resulting from new policy proposals or DFAT's internal budget allocation review process.

There is room for improvement in three key areas:

1. Divisions and posts develop their priorities in isolation and at different times. For example, divisional priorities are not formally aligned with post priorities. Better peer engagement around establishing priorities would improve the transparency of decisions on resource allocation and generate shared understanding of the links between each division's priorities and the department's desired outcomes. Clearer departmental priorities would allow lower-level staff to coordinate activities and make trade-offs with greater confidence.
2. Divisional and Post Evaluation Report priorities are not formally adjusted throughout the year to reflect change. The centrally managed staffing process is used to move staff to vacancies overseas and in Canberra in response to priorities identified through weekly staff planning meetings with the Executive. Greater transparency would make the links between changing priorities and the opportunity costs of staffing movements more explicit.
3. Divisional and Post Evaluation Reports focus on short-term priorities and content outcomes, and do not seem to include capability, management and leadership objectives.

Central control over resources

DFAT's principal lever to align resources with strategic priorities is the centrally-managed staffing process. With the lion's share of the budget spent on people and rent, both managed centrally, divisions and posts have limited ability to adjust resourcing to reflect their priorities. Transparent alignment of departmental priorities with resources would make responsibilities and accountabilities clearer.


Moving from compliance to strategic financial management

The department instituted a rigorous compliance management regime a number of years ago and the strong compliance culture that resulted is still evident in many processes despite more recent recognition of the importance of greater use of risk management. The completion of monthly Certificates of Compliance, by comparison to annually or twice annually in most other departments, and detailed acquittal processes for travel are examples where more risk management could be considered with a saving of staff resources.

Some initial moves have been made to reconsider and lessen the control framework and the review team encourages further work in this direction. The SAP system upgrade, scheduled to be in place in the next 18 months, will bring greater automation of financial auditing, including an expense management system and a travel management system. The benefits of the upgrade, combined with a well-planned regime of spot audits, should provide the confidence to move to a less compliance-based framework.

The centralised control and funding of Australia-based staffing means the breadth of senior officer responsibility and accountability for financial management, in Canberra and at overseas posts, is far less than in other government departments. This, perhaps understandably, has meant that senior staff often give financial management a lower priority than their counterparts elsewhere in government, leading to concerns that they have insufficient skills in this area. Nevertheless, as is noted by DFAT in its self-assessment, work units are frustrated by a perceived lack of transparency in decision making about the allocation of resources. Greater visibility of budgets across the department, as well as increased understanding of budget management, would be of advantage to the officers involved, as well as to the department overall, especially in an environment of scarce resources where the need for prioritisation will be increasingly important.

Shared commitment and sound delivery models

Guidance Questions		<p>1 Does the organisation have clear and well understood delivery models which will deliver the agency's strategic outcomes across boundaries?</p> <p>2 Does the organisation identify and agree roles, responsibilities and accountabilities for delivery within those models including with third parties? Are they well understood and supported by appropriate rewards, incentives and governance arrangements?</p> <p>3 Does the organisation engage, align and enthuse partners in other agencies and across the delivery model to work together to deliver? Is there shared commitment among them to remove obstacles to effective joint working?</p> <p>4 Does the organisation ensure the effectiveness of delivery agents?</p>
Rating		Well placed

It is clear from the review team's own observations, and the comments of stakeholders, that the overseas network functions effectively, particularly in managing crises and nurturing bilateral and multilateral relationships.

The review team saw outstanding examples of missions coordinating whole-of-government operations in ways that would be more difficult in Canberra. Decisions by successive secretaries to preserve resources overseas at the expense of Canberra have strengthened the relative position of posts. Some larger missions are beginning to play a greater role in policy development and ministerial support work. This should be encouraged but its effectiveness depends on continuing improvements to the overseas communications network and improved flow of information between Canberra and posts.

DFAT has a problem, however, in ensuring that the knowledge it draws from the overseas network reaches others in the APS who would benefit from it. It needs to take seriously its responsibility not just to report information but to ensure its effective dissemination throughout Canberra. The Secretary is taking important steps in that direction, which the review team commends.



Delivering strategic policy

The department advocates existing policy effectively and has had some major successes in delivering policy outcomes like the expansion of the East Asia Summit and election to the United Nations Security Council. It provides its ministers with accurate and timely support and briefing on current developments.

Nevertheless, DFAT is seen by some important stakeholders as being less focused on the development of strategic policy. Departmental officers often pointed to the pressures of day-to-day delivery as one reason for this, suggesting a distance in their minds between day-to-day briefing and strategic policy. DFAT might usefully reinforce in its training of officers the extent to which policy development is embedded in daily activities.

Overseas operations

DFAT's delivery model overseas is well adapted to the challenges of operating in many countries with differing systems and circumstances. The review team did, however, identify some evidence of duplication in overseas operations that warrants further investigation given ongoing fiscal challenges. Within DFAT, for example, multiple ICT systems are deployed to manage locally-engaged staff. Between DFAT, Austrade and the Australian Agency for International Development, there may be opportunities for better cooperation on employment conditions and systems, a matter that is receiving some attention. Finally, as DFAT's own ICT capabilities improve, there may be opportunities to reduce duplication in ICT infrastructure, commercial providers and support arrangements.

Structure and governance

DFAT's structure has a high proportion of senior officers and a more centralised corporate culture than is normal in the APS. Sections and branches are often very small, especially as they frequently carry gaps. One effect, reinforced by the risk aversion of which many spoke, is to push decision making up the line.

More generally, DFAT's governance structures appear to reflect history and regulatory requirements, rather than an approach which would better reflect the unique circumstances and challenges of the department. There would be value in DFAT's leadership thinking through which issues need discussion, and in what forums, and what signals such decisions send to the department about the aspects of leadership regarded as important.


In general, governance machinery may need rethinking—corporate leadership needs to be more widely shared and ways need to be found of engaging the senior members in the overseas network more directly in the department's collective leadership.

Addressing ICT underinvestment

As has been recognised by the department, ICT capability has critical implications for the delivery of its core business. A lack of understanding in past years of the role a professional competency can play in this area, and consequent underinvestment in its network, has resulted in significant shortcomings that DFAT is now moving to address. ICT presents the department with a major challenge, particularly in view of the varying levels of security and the remote access required to serve a geographically dispersed network, deal with current bandwidth deficiencies, and deal with the productivity costs resulting from a slow and unreliable network.

DFAT now employs a professional Chief Information Officer and is moving to greater use of specialised ICT capability in Canberra and at overseas posts. It has a detailed ICT forward planning process and is working to introduce proper back-up to ensure business continuity. In addition, specific funding in the recent Budget for the new International Communications Network will enable the most pressing deficiencies to be addressed and will help alleviate the major problem of bandwidth. But such significant change takes time and continuing focus, as well as ongoing maintenance. These should remain priorities.

Manage performance

Guidance Questions		<p>1 Is the organisation delivering against performance targets to ensure achievement of outcomes set out in the strategy and business plans?</p> <p>2 Does the organisation drive performance and strive for excellence across the organisation and delivery system in pursuit of strategic outcomes?</p> <p>3 Does the organisation have high-quality, timely and well-understood performance information, supported by analytical capability, which allows you to track and manage performance and risk across the delivery system? Does the organisation take action when not meeting (or not on target to meet) all of its key delivery objectives?</p>
Rating		Development area

Delivering to targets

DFAT manages and tracks the performance of its main customer-facing delivery functions well. The divisions responsible for passport, property, ICT and, to a lesser extent, consular services, have clear performance targets linked to strategic outcomes. Other areas of the department rely on the Portfolio Budget Statement to set performance targets and the annual report to outline achievement against them.

Measuring performance is a challenge for all policy agencies, but the review team considers that clearer and more measurable objectives can be set realistically for posts and policy divisions as well.

High-level performance information

The main service delivery divisions collect and analyse performance information, using scorecards and dashboards to track and manage performance against targets. When such performance data is brought together, for example in the ICT scorecard, staff throughout the delivery chain can monitor the impact of their work.

It is not clear that DFAT's leaders receive the performance information they need to effectively discharge all facets of their responsibilities. In addition, the information they receive appears to be somewhat ad hoc and generated from the efforts of individual SES leaders.

In part, this is a result of underdeveloped governance structures discussed in the previous section. There would be value in a considered, top-down approach to thinking through what performance information is needed, alongside further development of governance. The Executive should expect, and receive, high-quality data covering operational performance, policy development, people matters and other enabling services.



Driving performance

The usefulness of the Divisional Evaluation Report and Post Evaluation Report processes are constrained by a relatively short-term focus and absence of measurable objectives. This culminates in a conversation described by some staff as too polite to send the right incentives. More comprehensive analysis of performance in these evaluation reports, shared more openly, would help spread new ideas and assist divisions to measure their own comparative performance.

Building an evaluation capability

DFAT's compliance culture and its Strategic Audit Plan have delivered strong audit results for financial management. The Australian National Audit Office has identified the Australian Passports Office as a pocket of performance excellence. The department has a more limited capability for performance evaluation of policy areas and would benefit from more specialist expertise—whether internal or external—in this area.

Identifying critical risks

The department needs to focus on some new risks. The Australian National Audit Office has noted consistent problems relating to the employment of locally-engaged staff, reflecting the difficulties of operating under both Australian and local laws and business requirements. New Australian workplace safety legislation also presents DFAT with significant challenges, given the difficulty and diversity of many of its workplaces. Both cases reinforce the usefulness of drawing specialist skills into key corporate functions.

5. The department's response

The Department of Foreign Affairs and Trade welcomes the report of the Capability Review and the opportunity it presents to improve our capability to meet current and future challenges.

The report provides a high-level assessment of the department's strategy, leadership and delivery capabilities and helpful insights into where we could strengthen these capabilities to position us better as a government agency to meet the challenges of the next decade. It acknowledges that the environment in which DFAT operates is constantly changing in unexpected ways, that domestic and international issues are becoming increasingly entwined, and that a growing number of agencies have a stake in the work of the overseas network. These factors, combined with continuing tight budget constraints, are defining characteristics of the department's operating environment. We recognise that the landscape in which we work is shifting and that to remain relevant and effective in advancing the interests of the government and people of Australia, the department must remain flexible and open to change.

The report confirms DFAT's reputation as a strong department that fulfils its principal functions most effectively. I also welcome its recognition of the department's key strengths, including policy advocacy, the value of the overseas network and, most importantly, our people. At the heart of our achievements is a highly-skilled, committed and motivated workforce in Australia and overseas that is responsive to the needs of the government and the Australian community. We will continue to make a substantial investment in our staff but recognise that there are some associated workforce issues that require attention. We are also adopting a more strategic approach to human resources management, including utilising professional HR expertise to strengthen workforce planning capabilities, and are assessing the department's structures and work practices through an earlier internal review. These are all areas where more work needs to be done.

The report states that the department could play a larger role in policy formulation and debates across the government's policy agenda in Canberra, and engage more with the wider public service. The department clearly has an important role to play in aiding the understanding of the government and agencies of the international environment, and in contributing to policy debates with an international dimension or implications. We will examine options for increasing our engagement in this area. We are strengthening our links across the public service and with external stakeholders, including through an increase in staff secondments to a wider range of agencies and non-government organisations, such as think tanks, and enhanced cross-agency information exchange. These measures will help foster a more outward-looking perspective, build a broader network of contacts within the APS, and further embed a culture of collaboration.

The report raised issues around corporate leadership including the sharing of leadership responsibility among the Senior Executive Service, the escalation and prioritisation of decision-making and related implications for risk management. Given the diversity and global reach of our operations, effective leadership is critical to success, particularly in leading change and articulating strategies and future directions for staff and external stakeholders. The report's findings in this area will be examined carefully to identify what practical steps can be taken to strengthen corporate leadership capabilities.

The department will consider carefully other high-level findings in the report covering articulation of the department's mission, strategic planning and prioritisation, policy making, knowledge management, risk management, governance and stakeholder engagement. We are delivering improvements progressively in some of these areas, for example, in ICT where

planned system upgrades will improve access to information for staff, enhance the exchange of information between agencies, and deliver productivity benefits. At the same time, we need to capture and use our accumulated knowledge and information more effectively. We also need to reduce our aversion to risk to create more opportunities for innovation in the policy and administrative spheres, and tackle some of the cultural issues that come from operating in the same way for many years. Business planning is another area that requires attention. A more coherent framework is needed that supports business planning, prioritisation and resourcing decisions across the breadth of the department's operations.

The department thanks the members of the Senior Review Team, Mr Allan Gyngell AO, Ms Helen Williams AO and Mr Ben Rimmer, for their collaborative and constructive approach to the conduct of the review. The extensive experience, knowledge, management and policy expertise the group brought to the review contributed significantly to its value.

The report provides valuable insights into where DFAT needs to improve its capabilities to enhance the department's contribution to the government's long-term agenda and the public we serve. We look forward to working with the APSC in addressing key review findings in an open, measured and constructive way. Our action plan will be the focus of that work.



Peter Varghese AO
Secretary, Department of Foreign Affairs and Trade

6. Abbreviations and acronyms

Abbreviation or acronym	Description
APS	Australian Public Service
APSC	Australian Public Service Commission
DFAT	Department of Foreign Affairs and Trade
Executive	Secretary and deputy secretaries
FTE	full-time equivalent
ICT	Information and Communications Technology
L&D	learning and development
SATIN	Secure Australian Telecommunications and Information Network
SES	Senior Executive Service



