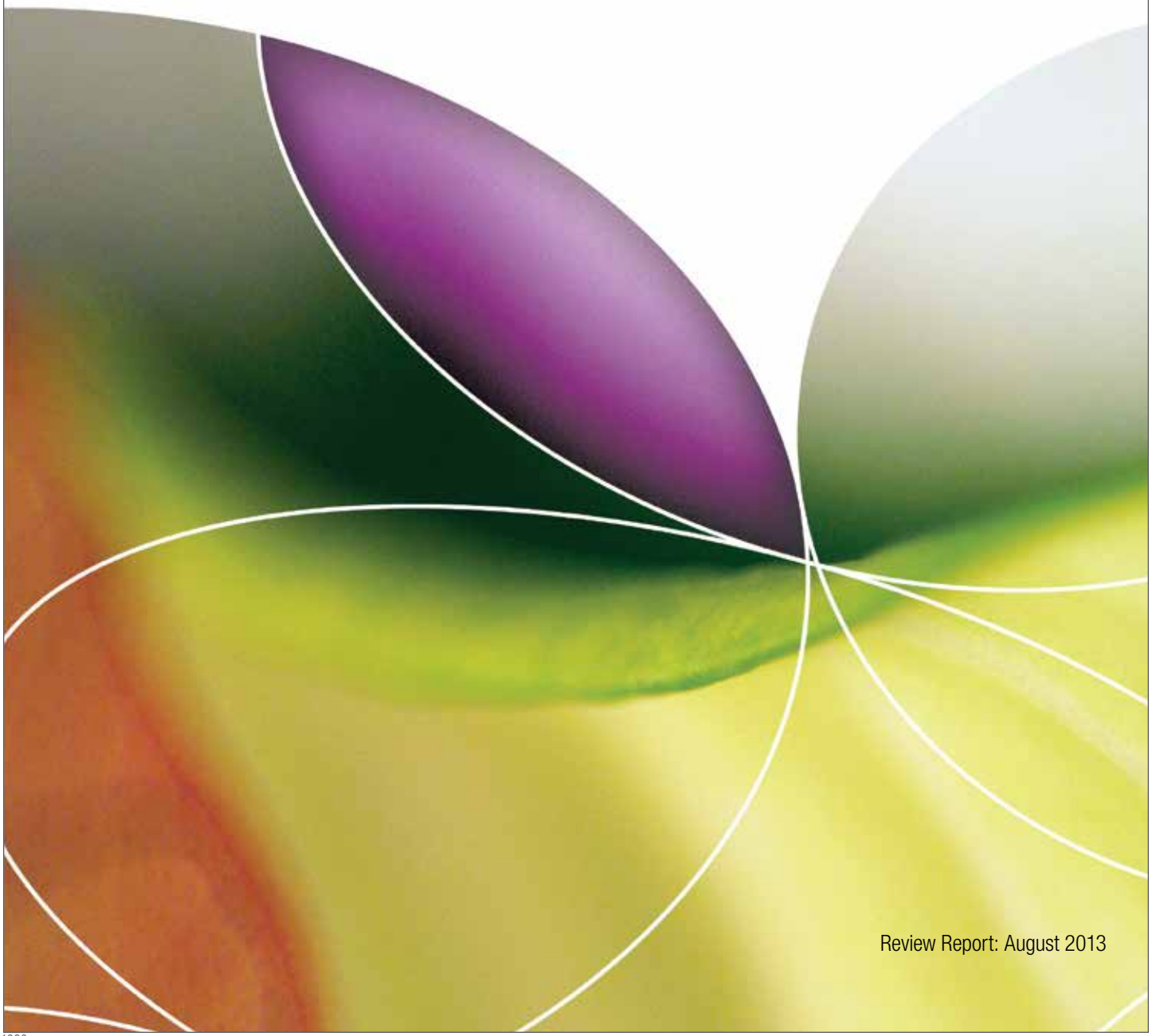
Australian Government

Australian Public Service Commission

CAPABILITY REVIEW

Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education

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



Review Report: August 2013

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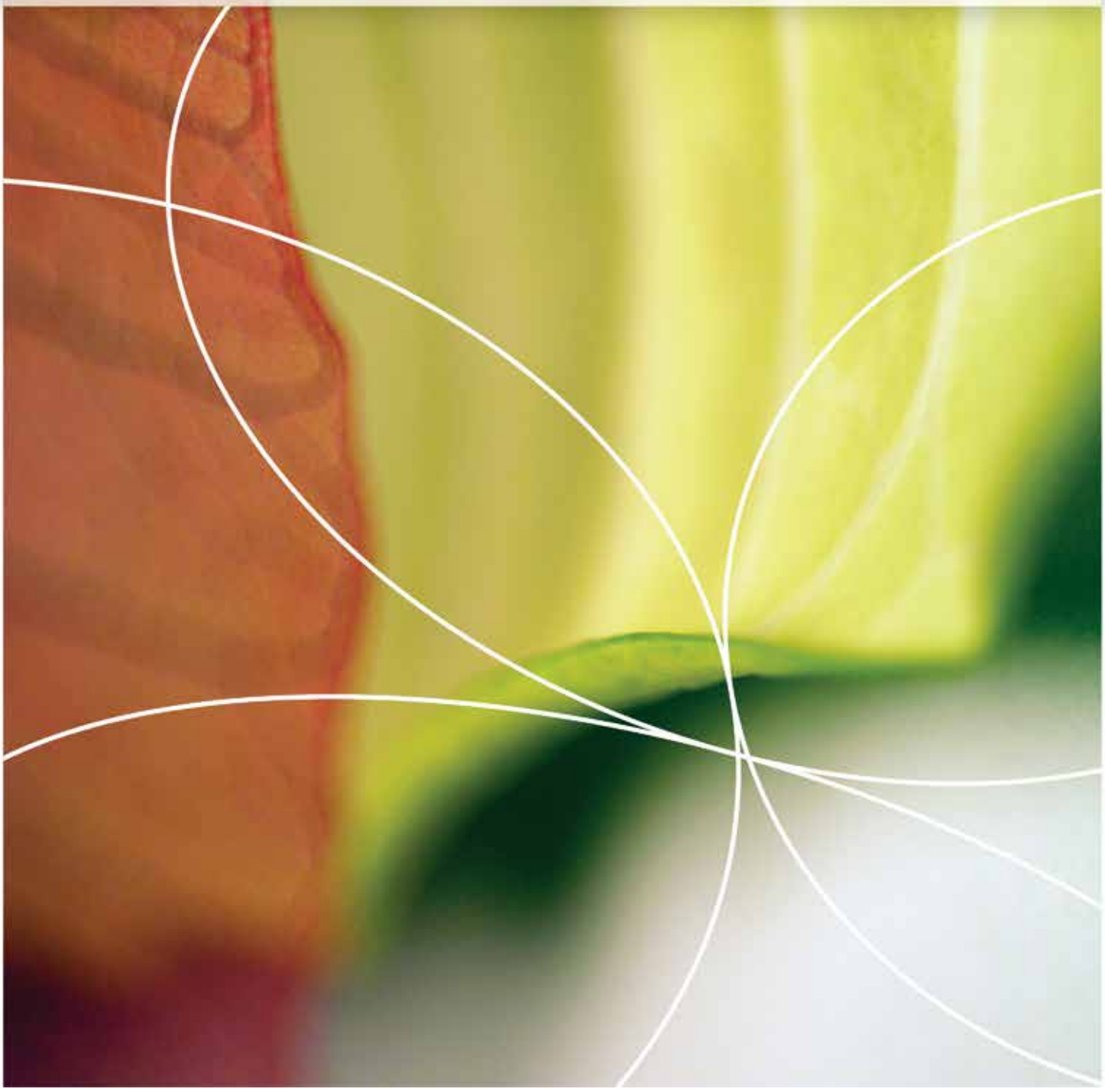

Foreword

The 2010 report *Ahead of the Game: Blueprint for the Reform of Australian Government Administration* recommended that the Australian Public Service Commission (APSC) undertake reviews to assess capability in key agencies and to identify opportunities to raise 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.

I would like to thank the senior leadership of the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCSRTE) for their enthusiastic support of the review, along with those staff who participated in the interviews and workshops conducted during the review. Their efforts are appreciated.

I would also like to thank Mr Tony Cole AO, the chair of the review team, the other senior members of the team, Mr Dieter Adamsas and Ms Stephanie Foster PSM, 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 such high calibre and diversity of experience.

Stephen Sedgwick AO
Australian Public Service Commissioner

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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 DIICCSRTE. 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 its senior leadership, but are informed by the views of its staff who attend a series of workshops.

External stakeholders are also interviewed, including relevant ministers, private sector companies, state delivery organisations, peak bodies, interest groups, citizens, clients and central agencies.

The fieldwork for the capability review of DIICCSRTE was undertaken between 20 May 2013 and 9 August 2013.

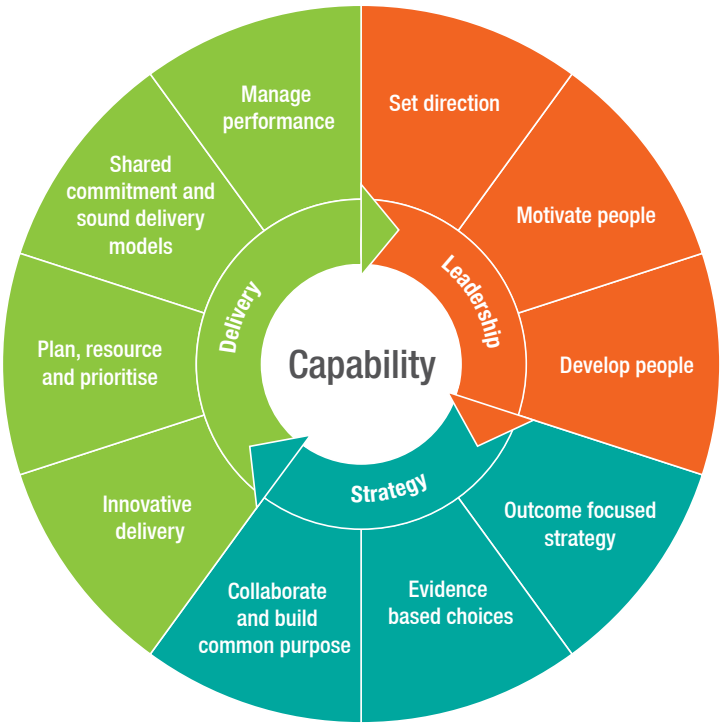

Figure 1—Model of capability

2. About the department

DIICCSRTE's mission is to support the ongoing transformation of the Australian economy by driving productivity, enhancing the skills base and harnessing innovation. This mission guides the department in working towards a smart, productive, innovative and globally competitive economy.

The department acknowledges that the current environment in Australia is one of ongoing structural change with many businesses having to make major adjustments to their business models. Similarly the department has and continues to experience its own structural change through a range of Machinery of Government (MoG) and ministerial changes.

The department presently manages a number of high-profile issues and delivers complex programs and services through several flagship brands such as AusIndustry, Commercialisation Australia, Enterprise Connect, the National Measurement Institute, Questacon and Skills Connect. Program funds are allocated through some 10 500 agreements and contracts, while the department maintains client relations with some 19 000 businesses across the country. Each year the department typically provides more than 4000 services to small and medium enterprises through Enterprise Connect, supports around 25 000 clients through the Small Business Support Line, and sees close to half a million people through its doors at Questacon. In 2011–12 the department administered more than $2.7 billion of income support through youth allowance to more than 270 000 recipients and supported 1.5 million students enrolled in Australian Government subsidised places in the vocational education training (VET) system through national agreement and national partnerships programs.

In 2007, science and research functions were added to the department while tourism, energy and resource functions were transferred out. This new department—the Department of Innovation, Industry, Science and Research (DIISR)—became the core for a range of activities and functions that would be added to the department over the coming years.

In 2010, the department also took responsibility for trade measurement when the Australian Government took over the management of weights and measurements from the states and territories. That same year, the Australian Astronomical Observatory joined the department having previously been an independently operated entity funded by the Australian and British governments.

In December 2011, the department saw the addition of approximately 1000 staff with the movement of the Tertiary, Skills and International cluster from the Department of Education, Employment and Workplace Relations (DEEWR). Dr Don Russell, who was appointed Secretary of the department in 2011, at that time stated that the merger provided the department with the opportunity to build a new focus on driving collaboration between the education, research and industry sectors and 'making the whole bigger than the sum of its parts'.

Further change followed when in March 2013 the Department of Climate Change and Energy Efficiency was abolished and its climate change functions were transferred to the department bringing more than 450 staff and more than 20 additional programs or areas of policy focus.

In summary, since 2007 the department has almost doubled its staff from 2090 to 3941 employees, increased from 10 divisions to 23 and quadrupled its budget from $4.3 billion to $18.4 billion through administered funds (including special appropriations and accounts) and departmental expenses. Most of this growth has occurred in the last two years.

It is therefore understandable that the department has experienced some challenges. For example, staff effectively needed to be brought together under the existing DIISR enterprise agreement. In doing so the department needed to maintain the salary levels of ex-Climate Change and DEEWR staff who historically were among the highest paid of the Australian Public Service (APS), while transitioning them onto a new lower pay point structure. Staff are also located across 85 locations with seven premises in Canberra alone, working from different information and communication technology (ICT) platforms and relying on corporate processes often designed for a much smaller organisation.

Despite these challenges, the department has had some significant achievements over the past two years:

- Assisting industry to turn innovative ideas into commercially successful products and businesses through support from programs such as Commercialisation Australia.
- Improving the overall efficiency, profitability and market reach of firms through support from Enterprise Connect and AusIndustry.
- Developing the national research investment plan in collaboration with stakeholders.
- Reforming the vocational and tertiary education sectors to improve the quality of teaching and infrastructure.
- Implementing an emissions trading scheme and linking it with the European emissions trading system.

The profile of the DIICCSRTE workforce is typical of a large policy/program agency within the APS. Key differences, however, include a median age of 41 years which is slightly older than that of the broader APS and almost three out of four staff having less than five years' experience in the department, which is significantly less than most comparable departments or agencies.

The department is overseen by the Secretary, Associate Secretary and three deputy secretaries. Few staff are employed at the lower end of the APS classification with 43% of non-SES staff employed at Executive Level 1 and 2, which is similar to comparable departments and agencies.

Notably 73% of departmental staff are based in the Australian Capital Territory with two-thirds of the remaining 27% in New South Wales or Victoria and almost all based in a capital city or major regional centre.

The Industry, Innovation, Climate Change, Science, Research and Tertiary Education portfolio has nine statutory agencies along with the offices of Chief Scientist and Small Business Commissioner. For some of these agencies, and two offices, the department provides support; as it does for a number of other quasi-independent agencies operating under the Financial Management Act.

DIICCSRTE reports to five ministers and two parliamentary secretaries.

3. Summary assessment

Thirty years ago the era of productivity and structural reform which characterised the Australian economic landscape of the 1980s and 1990s was only just beginning.

Beyond the established services sector, the labour of Australians was typically directed towards manufacturing, building, agriculture, mining and energy with 34% of all employed people working in such goods-producing industries.[1] Tariff and quota protection, along with other forms of industry support, were prevalent. The focus of business was on domestic markets; with few raising their heads to look at the potential of global trade or interested in learning from foreign competitors.

The reforms of the era—particularly the removal of tariff walls, the floating of the Australian dollar and deregulation of the banking sector—meant Australian businesses were progressively exposed to direct competition with overseas rivals. Generous but temporary restructuring plans were adopted for the automotive industry, textile industry, clothing and footwear sector, as well as the heavy engineering, steel and shipbuilding industries.

Fifteen years ago, while the reform pathways for these mature Australian industries had been laid down and were for the most part being followed, the economic implications of the Internet and the potential of enabling and emerging industries were still unclear. While the growth of the service sector had been evident to most for some time, its trajectory into new fields was predicted by few and not many spoke publicly of an Asian Century to come.

Nevertheless, in response to these forces, policy again was slowly but inexorably shifting from an industry-specific and 'defensive' stance, towards a more forward-looking approach appropriate to these emerging sectors and focused on ensuring the right climate was being created to build exports, technological capacity and innovation.

The Secretary's vision of DIICCSRTE reflects this policy direction but envisages not just government and business, but also the scientific, research and tertiary education sectors and the broader community, working to drive productivity improvements and help transform the Australian economy.

First articulated in its 2012 Strategic Plan the vision states that the department was established to:

> ... work with business, the research sector, the tertiary sectors, the community and other governments to discover, to promote and drive new ways of achieving economic and social benefits that will work to keep our economy and society strong for today and into the future.

This message has been progressively refined and spoken about in terms of 'driving economic transformation' and was most recently formally reiterated in the July 2013 release of a new draft strategic plan which notes the importance of this transforming agenda in a period of intense structural change for the country.

At the heart of this vision of economic transformation lies the cultivation and deployment of 21st Century skills and research into 21st Century businesses and industries that respond to the

[1] Taken from an article first published in the January 2005 issue of the Australian Bureau of Statistics' Australian Labour Market Statistics, cat. no. 6105.0. Goods-producing industries are defined as construction; agriculture, forestry and fishing; manufacturing; mining; and electricity, gas and water. 1985 is the earliest whole year for which Australian Bureau of Statistics' data is available for the current industry classification.

current and emerging needs of society at large. The MoG changes made to the department over the last six years are consistent with such a vision and, irrespective of what may happen in the future, acknowledge that the development of human capital through the education system and dealing with the impacts of climate change are, at their core, issues of economic transformation.

In the opinion of the senior review team, the department has many strengths including, for example, a collegiate and respectful culture, a cohesive senior leadership team, professional and committed staff and a capacity to consistently deliver programs, many of which carry significant financial and delivery risks. The learning and development opportunities provided by the department are universally seen as effective, and its approach to performance management is considered to be strong.

Likewise, through a period of significant change, the department has demonstrated impressive resilience. Rising to the challenge, it has continued to effectively and efficiently deliver to a consistent high standard, while coping with the considerable administrative demands flowing from MoG changes and ministerial reshuffles.

Yet it is fair to say that the department's capabilities are yet to be fully mobilised towards achieving the vision of economic transformation. Just as Australian business and industry faces a number of critical challenges and is being asked to build its capabilities, so too is the department.

The economic challenge: transforming Australian business and industry

If the Australian economy is to continue to transform into a highly innovative and productive force, Australian business and industry, along with researchers and the tertiary education sector, will need to collaborate and plan together for the future.

A focus on building human capital and deploying it effectively into the economy is equally required across all parts of DIICCSRTE. While avoiding 'capture' by industry, all parts of the department need to be attuned to the challenges of transforming the economy and the needs of business and industry; including established and emerging industries.

At present, however, there appears to be a lack of ownership and little sense of urgency within the leadership below the Executive Board for the transforming mission. Understanding of the mission is patchy across the department, with only pockets appreciating its implications conceptually. Even areas that understand the mission have yet to operationalise it and translate it in a practical sense for staff.

The successive MoG changes of the last six years, and particularly the last 21 months, along with multiple changes in senior and junior ministers, have demanded an enormous amount of effort and attention from the leadership and dominated the daily operations of the corporate areas of the department. Nevertheless while addressing these immediate challenges, the lack of time and space to think more broadly has stifled progress on several fronts, most particularly being communicating and operationalising the economic transformation agenda. Indeed, while staff have maintained a clear commitment to their respective roles and worked well in this regard, their commitment to the department's transforming mission is less strong.

The reality is that more change is likely and the department needs to exploit this as an opportunity to align its structure and aims and kick-start broader understanding and enthusiasm for its mission. This will require staff within the department to (i) transform the way they work across established divisions and programs, and (ii) find new ways of engaging and working with stakeholders.

In respect of the former, individual parts of the department need to be better 'keyed' to the top-level departmental outcome, in the interests of reducing wasted effort and energy. This may involve any number of reforms including possible structural realignment. In regard to the latter, the department needs to push its established relationships in accord with its strategic intent; for example by ensuring that the higher education sector and research efforts are better aligned with the needs of the economy or that its models of partnering in delivery with the private sector are pursued when it comes to economic and industry policy development.

The policy challenge: Skills and knowledge

Just as it is necessary for Australian business and industry to try and shape domestic and global markets, it is necessary for the department to move from being a policy taker to becoming a policy influencer.

DIICCSRTE must look to actively contribute to the wider economic policy debate. It should equally aim to win its place as the primary source of advice on the economic life of Australian business and industry and start to shape the terrain of the debate.

Indeed, it is important to recognise and value the fact that the department can contribute to the policy discussion as an informed and impartial advisor, whereas advocates and individual industry sectors may often come to the table with incomplete understanding and vested interests.

The success of parts of the department, notably in shaping tertiary education and skills policies, and its work in the highly contested field of climate change policy, is testimony to what can be done.

The department has recently made some important appointments and started to build its capacity as a source of economic policy strength. Much more is required, however, such as targeted recruitment and strategically moving existing resources internally to spread policy development capability more evenly whenever this is feasible and can be done with minimal disruption.

When internal rotation is not possible for practical reasons, the department could consider aggressively pursuing other ways to share knowledge and expertise.

External stakeholders generally value their relationship with the department. Some, however, feel it is less receptive to new ideas and more focused on being responsive rather than proactive in seeking out and engaging on what truly matters for stakeholders; whether well-established or newly formed.

Equally, different parts of the department hold a plethora of data. While the potential use of this data in policy development is understood, at present there seems to be little movement to overcome the issues currently stopping this data from being fully and properly used, despite considerable attention having been given to this matter over the last few years.

In short, the department should consider systems that bring data together, as well as leadership in the field of knowledge management that understands the value of the data, the importance of having established capability within the department to analyse the data and a culture that is willing to share and bring that data to bear in support of evidence-based policy and departmental operations.

The workforce challenge: Building for the future

The highly skilled and agile workforce required for a transformed Australian economy will not eventuate without deliberate actions by government, employers, universities, vocational trainers and schools.

Just as Australian industry must transform itself to constantly changing circumstances, the department must ensure that its own workforce is evolving to meet future requirements.

It is evident to the senior review team that the department's work has changed a great deal and will continue to change. However, as DIICCSRTE is required to continue to administer policies seen as dated and as products of its history, there is an issue with how the department as a whole is perceived. This, in turn, often influences how staff view themselves and influences the pool of potential new employees.

The review found that staff have a strong commitment and sense of divisional or branch identity which can be reinforced by building a similar connection to the department, with many in this context commenting on the length of the departmental title. As such, there is little sense of a unifying organisational culture, although at the core of all parts of the department there is a highly collegiate, professional and ethical set of values. These could be used as the base for constructing a broader, high-performing organisational culture.

Creating a sense of common purpose and building a greater level of dynamism and energy within the workforce as part of such a high-performing department is a key responsibility of the leadership and of middle management.

Equally, the workforce planning and succession management that is being carried out is from the perspective of divisional and branch interests whereas a departmental view is needed. Such work would be best carried forward by senior leadership and middle management in cooperation with the corporate area.

The innovation challenge: Leading by example

As Australian industry and business needs to be innovative to improve its productivity, so too DIICCSRTE needs to be innovative in its way of working and thinking.

Indeed, the department needs to be seen as credible by the private sector if it is to effectively advocate for greater levels of innovation within business and industry. Staff will benefit from adopting a mind-set that supports innovation and recognises its fundamental value. In doing so, the department will almost by default become the exemplar for innovation across the public service.

At present there are many examples of how the department is supporting innovation in the private sector through its initiatives and programs and there are some examples of innovation within the department itself. Examples include the adoption of a No Wrong Door policy (which is making pathways into the department easier for clients), the deployment of cloud-based program delivery and a new, open approach to the use of social media by staff.

While there are discrete elements encouraging innovative thinking, overall the department is challenged by cultural and systemic issues, such as failing to encourage and support new ideas from staff and building systems to allow these ideas to be integrated into core business when proven worthwhile. Equally, throughout the recent MoG changes, opportunities to adopt better practices from agencies joining the department have not been taken up.

Indeed, in this respect the senior review team have often heard that parts of the department are overly focused on input controls to the detriment of an innovative spirit, just as a high level of risk aversion is believed to be stifling the willingness of staff to try new ways of working.

However an innovative culture alone is not enough. Systemic issues exist when it comes to translating ideas into improved outcomes and the department should consider increasing its investment of resources to support internal innovation along with ongoing monitoring and reporting.

It is clear, therefore, that the department's leadership needs to create a climate that makes innovation imperative. Innovation is core to shaping the economy. Taking advantage of the opportunities provided by uniting major functions within the department will assist the department to maximise its impact and enhance its reputation.

The system challenge: Modern, agile and enabling

The department is regarded as a 'safe pair of hands' for delivering programs that often carry high levels of risk and strong internal processes are in place to ensure accountability and compliance for public monies. Management is devolved and divisions are given a high degree of autonomy in how they run their business. However, in the opinion of the senior review team, the systems and processes that support the department have not kept pace with its rapid growth. For example, multiple ICT platforms are now operating across the department when there needs to be a cohesive system facilitating good access to information. Recognising that action on this front is complex and costly and cannot be carried forward in the short term, it nevertheless appears that existing governance arrangements are not helping to resolve these ICT issues.

Indeed, in thinking about governance more broadly, there are few fora where organisational or policy issues are genuinely debated and Band 1 and Band 2 Senior Executive Service officers (SES) are engaged in decision-making processes. Also, there does not appear to be any outwardly apparent reasoning behind what corporate matters are controlled centrally or are decentralised, with arrangements more a consequence of history and ad hoc decision making.

The department has a strong focus on monitoring and evaluating the delivery of programs. However, evaluating programs for whether they are helping achieve the department's outcomes and its strategic mission requires greater rigour.

Equally, there is much corporate reporting but performance information appears to be minimal and is not being brought together into a coherent picture of how the department is delivering its strategic priorities and outcomes.

In this respect there should be clear measureable indicators at departmental, divisional and branch level, consistent with the principle of 'keeping it simple'. Indeed, the department has acknowledged that its '... delivery framework would benefit from greater feedback and more timely analysis of data and performance metrics, which could be drawn from department wide sources.'

In short, like any business, the department cannot afford to be bound up by unnecessary red tape or be hampered by poor internal processes. These internal operations should be enabling divisions and branches to focus on their work, whether policy or program related. The systems for reporting on this work then need to allow effort to be constantly appraised to see whether it is focused on what matters.

In doing so the department is reliant upon its systems and processes to help it see and adjust. At present these systems require further work in order to support a complex department of close to 4000 employees.

In 1928, when the first 'department of industry' was established in Australia as an administrative unit of the Attorney-General's Department[2], neither the government of the day nor Australian industry, employers or workers foresaw the challenges they would soon face in the form of the Great Depression.

The response saw a major increase, under Prime Minister Scullin, in already comparatively high tariffs, substituted after World War II by quotas and quantitative controls which bureaucrats and economists only began to question in the mid-60s with the Vernon Committee Economic Enquiry[3].

It is problematic, if not foolhardy, to predict what challenges and opportunities will present themselves in 15 years' time upon the centenary of the department's establishment. It is not unreasonable to predict, however, that the economic landscape will be vastly different from that of today. The imperative for the department, therefore, is to help position the Australian economy, and its many and varied businesses and industries, in the best possible way to maximise the returns to Australian society; whatever that economic landscape may look like.

In the opinion of the senior review team, the leadership of DIICCSRTE can best do this by acknowledging that the department of the future will look vastly different to today's department and start immediately to build its capabilities in the areas outlined throughout this report. In particular, DIICCSRTE should be:

- creating a unified department and culture focused on economic transformation
- building economic policy capability and influence in support of its strategic mission
- managing and evaluating its programs to ensure consistency with its strategic mission
- becoming the experts within government on what is happening in business and industry
- improving corporate operations to match the department's size and scope
- becoming a leader in encouraging innovation.

[2] The original 'industry' department was responsible for industrial matters only. It was not until the Department of Trade and Industry was established in 1963 that 'the development and protection of Australian industry' was tied to the 'industry' department.

[3] Report of the Committee of Economic Enquiry. Tabled in the House of Representatives on 21 September 1965. Chaired by Sir James Vernon.

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 descriptions set out in Figure 2.

	Strong	• 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	• 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	• 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	• 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 DIICCSRTE's capability is outlined in the tables below.

Leadership

Set direction		Development area
Motivate people		Well placed
Develop people		Well placed

Strategy

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

Delivery

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

4.1 Leadership summary

Set direction

- The strategic mission of driving economic transformation and the opportunities arising from the bringing together of three functions into one department is understood conceptually among most of the SES cohort. However, there is a lack of urgency to drive the transforming mission.
- Even among the SES who understand the mission there is a problem in communicating it and translating it into daily practice for staff. It would be beneficial if the leadership could identify, promote and celebrate some examples of improved outcomes arising from the amalgamation of the department.
- Successive MoG changes have created significant work, demanding the time and attention of the leadership and inhibiting decision making in some critical areas. More change is inevitable and will present opportunities the department can exploit.

Motivate people

- There is a positive and friendly culture within the leadership cohort and staff generally which provides a solid foundation for building a high-performing department. However staff, for historical reasons and because of concerns over future structural arrangements, identify with their division or branch more than they do with the department.
- Staff have demonstrated great resilience and have maintained a consistent pace during a time of significant change.
- While different areas of the department have different public profiles, the department's image as a whole is dated and old fashioned. How the department is viewed by others influences how staff view themselves and the leadership needs to work to create greater levels of dynamism and energy among staff.

Develop people

- The department has significant policy capacity in a number of areas. While it has started to build its economic policy strength, work remains to establish the department as an economic policy force that can give effect to its transforming mission.
- The department has begun to focus recruitment activities to build economic capacity. However it could also benefit from greater redistribution of existing strengths to help build its overall capacity and skills.
- The attention given to learning and development is a departmental strength, although areas requiring more technical skillsets can at times struggle to attract and develop staff.
- There is evidence that workforce planning exists at division and branch levels, but there is room for a more comprehensive departmental approach to succession management and workforce planning. There is a proactive approach to performance management with mandatory management training provided to the Executive Level cohort. Management of underperformance is strong, with most cases resolved before a formal process is required.

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

Set direction

Guidance Questions		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? 2 Does the leadership work effectively in a culture of teamwork, including working across internal boundaries, seeking out internal expertise, skills and experience? 3 Does the leadership take tough decisions, see these through and show commitment to continuous improvement of delivery outcomes? 4 Does the leadership lead and manage change effectively, addressing and overcoming resistance when it occurs?
Rating		Development area

A transforming mission

Internally and externally, there is high regard for the quality of the department's Executive. The team is respected as being pragmatic, clear minded and approachable, with a strong grasp of the many policy and delivery challenges before the department. There is a confidence that the senior leaders' approach and ideas are appropriate to be driving the department's mission of economic transformation.

However, while throughout the department there is an awareness of the mission, there is very little understanding at SES level and below of what it means in a practical sense and how it should influence the daily activities and interactions of staff.

There is little sense of urgency among many of the SES leadership below the level of the Executive Board for driving the mission. There is also a misplaced but common view among the leadership that it is the responsibility of the Executive Board alone to drive the mission. Likewise while some effort has been put into communicating the mission, the Executive Board cannot expect that the message will filter down through the department without further effort. The result of this dynamic is a level of confusion at lower levels and even scepticism surrounding the mission and what it means in a practical sense.

Furthermore, without an accepted understanding or ownership of the mission, the department has struggled to articulate a common sense of purpose and new identity consistent with its mission. Indeed, externally there is a view that it is dated, old-fashioned and exists primarily to prop up struggling industries. Likewise the agenda of driving economic transformation through the development and support of new and innovative fields of industry and business is not well known among external stakeholders.

In the opinion of the senior review team, there is room for the leadership to enthuse and align the SES with the economic transformation mission and ensure the SES takes responsibility for translating it into the daily work of staff.

Working as a single department

The department's strategic documents, including its latest draft strategic plan, describe the opportunities arising from bringing together the disparate parts of the department and their role in supporting the growth of a high-performing economy. However while staff are able to identify possible synergies, cynicism exists about this rationale and the worth of building linkages when the department almost inevitably will change again.

Despite the uncertainty, the department has the opportunity to exploit existing synergies.

While staff are generally helpful and responsive to cross-departmental challenges, genuine collaboration that translates into improved outcomes tends mainly to occur within established areas of interaction such as between Innovation, Manufacturing and AusIndustry.

There are indications that collaborative relationship building is occurring, particularly with staff who came into the department in late 2011, for example between VET and Manufacturing staff, Skills Connect and Enterprise Connect and AusIndustry staff and the merging of the two international areas of Science and Education. However collaborative relationships are patchy and more individually led rather than systemic across the portfolio.

Cross collaboration is seen more strongly among SES, especially at SES Band 2 level where understanding and owning the strategic mission is strongest. It is probable that the weekly Portfolio Managers Meeting, regular SES forums, governance committees, and divisional head business planning presentations promote collaboration at this level, even if providing only limited opportunity for genuine input by Band 1 and Band 2 SES into corporate decision making.

More opportunities could be created to encourage staff at lower levels to engage productively beyond their traditional areas of interaction.

Improving internal communication and change management

As previously noted, the department has experienced rapid and significant growth over the last two years and has struggled to evolve its style of internal communication. Now close to double the size it was two years ago, the current approach to internal communication is no longer appropriate.

Recognising that priority in recent times has been given to external communication, many staff nevertheless feel that internal communication is ineffective and represents a missed opportunity to drive the transformation mission. In short, more innovative and creative approaches to internal communication could be taken up and could be used to ignite conversation within the department about its mission and purpose.

The changes of recent times have consumed a lot of the senior leadership and middle management's attention. The administrative aspects of change—like accommodation, employment arrangements and planning and reporting alignment—are important in creating a sense of unity. However the need to support cultural change and bring staff on the journey cannot be overlooked.

Staff are resilient and willing to work through change but need to see that progress is being made. While there may be reasons for many of the things that frustrate staff (such as delays in migrating ICT systems) they are not effectively communicated. Greater communication and showing the road ahead may help demonstrate that the department is doing more than maintaining the status quo.

There is potentially more change on the horizon. Not only does DIICCSRTE need to position itself to manage staff through this change but it should seek to maximise opportunities that emerge as a result. For example, even though large parts have joined the department over the last two years there has been little evidence of the department seeking out and exploiting the strengths of these incoming parts and using them to strengthen its own capability. Equally there may be scope for additional structural change in the interests of better aligning functions with strategic objectives.

Motivate people

Guidance Questions		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? 2 Are the leadership visible, outward-looking role models communicating effectively and inspiring the respect, trust, loyalty and confidence of staff and stakeholders? 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? 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?
Rating		Well placed

Building a unified culture

The department is home to a diverse range of functions. Still, its culture is universally described as friendly, collegiate and respectful, including within the leadership cohort.

Despite this, the department lacks a common sense of identity. Relationships within the department are not adversarial, however divisions and branches have developed strong brand identity and staff accordingly associate with their work area or external brand over the department. Disassociation with the department is clearly demonstrated in the 2013 State of the Service census results where identification with the department is significantly lower than the APS average.[4]

This has resulted in areas of the department operating effectively as separate organisations, particularly given the level of autonomy provided to division heads to manage their own business, and is exacerbated by the multiplicity of individual roles described under the departmental title (which the department has no control over).

Brand identity has shaped the behaviour of many and limited thinking from a departmental perspective. Staff continue to work within traditional boundaries with only pockets seeking out potential synergies across the department.

[4] 'I feel a strong personal attachment to my agency.' 48% (APS 59%; variation =11%); 'I am proud to work in my agency.' 63% (APS 70%; variation = 7%); 'When someone praises the accomplishments of my agency, it feels like a personal compliment to me.' 42% (APS 50%; variation = 8%), 2013 DIICCSRTE State of the Service Report census results.

A culture of 'one department' will not evolve by itself. Initiatives such as the No Wrong Door policy are a step in the right direction of creating a unifying culture, but the leadership cohort can do more to translate the mission into a common culture. In building this unified culture, the leadership should look to enthuse and engender greater levels of dynamism and energy among staff in support of achieving the department's transforming mission.

Supporting resilient people

Over the past few years the department has experienced more than its fair share of disruptive change. Despite this, the department has sustained a friendly, professional and ethical culture. Indicative of this spirit is the fact that while the department now has staff operating under very different salary arrangements following the multiple MoG changes, wage disparities have not fractured the culture of the department, even though it is still a significant administrative dilemma.

Ministerial changes have also demanded leadership attention and the focus has been on keeping the wheels turning. There has been a great demonstration of resilience, with staff delivering consistently. The challenging environment has pushed strong people to stand up and lead some significant pieces of work. But this has come at a cost, with pockets of staff reportedly working unsustainable hours. Likewise areas most impacted by the processing of MoG changes (such as the enabling areas) are reporting fatigue, and motivating people for yet further change is increasingly difficult.

While the department has experienced exceptional circumstances of late, change in government is constant and there is more on the horizon. The department needs to position itself to maintain momentum while ensuring staff are motivated and working at a sustainable pace. Change also presents great cultural opportunities and the department might consider how it can exploit these to create a refreshed, unified culture. An example of how to do this is through targeted internal communications and external communications that focus on conveying the mission statement and shedding the department's old and dated image.

Devolution and empowerment

Management within the department is devolved with divisions given a high level of autonomy in how they run their business.

There is, however, frustration caused by the level of input controls imposed by corporate processes and systems, particularly low-cost procurement and travel requisitioning which act to demotivate some staff. It is questioned whether these input controls add value and there is little sense of what the controls and reporting informs. Many SES feel as though they are effectively held back by an 'administrative undertow'.

Division heads and staff below them also feel their autonomy is constrained by such issues such as limited financial and HR delegations. This tends to work against the freedom they are given to manage their business or determine particular policy settings. It is also leading to division and branch managers establishing work-arounds or their own support groups operating outside established corporate processes.

Develop people

Guidance Questions		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

Building economic policy strength

The department has articulated its desire to become an economic policy powerhouse and a strong source of economic advice to the government, just as it is seen for its capacity in the fields of tertiary education, skills and climate change policy. The department wants to ensure it can bring a distinct and valuable perspective to the table and is cognisant that it needs to build economic policy strength to do so.

The department has taken some initial steps down this path. It has, for example, undertaken some significant senior-level recruitments to help build its economic policy base. The introduction of the Chief Economist is helping to drive economic thinking through various forums such as the Productivity Roundtable, but it is too soon to know if this effort will help lift capability throughout the department. There is also considerable scepticism that such a substantial change can be driven by one person.

It was pointed out to the senior reviewers during the course of their inquiry that there are pre-existing areas of considerable economic strength throughout the department, for example within the newly integrated climate change functions. There may be benefit in rotating resources through the department, particularly when there are restrictions on external recruitment.

It was equally noted throughout the review that disparities in salary levels resulting from MoG changes may deter some staff from moving internally as it limits their salary progression, even though special action can be taken by the Secretary under workplace laws to counter this.

If rotating staff is not possible, the department could consider alternatives to better spread its economic policy capacity, such as through building networking opportunities and introducing informal knowledge transfer and training opportunities.

Workforce planning and succession management

The department faces short, medium and longer-term workforce challenges. It often finds itself competing with established economic agencies such as the Treasury and the Department of Finance and Deregulation and losing its best and brightest to industry or roles in more highly paid public sector agencies.

At present workforce planning and succession management largely happen at section and branch levels. Workforce planning at department level primarily focuses on regular workforce analysis and reactive strategies. While this approach has succeeded in rapidly identifying and responding to shorter-term trends it does not facilitate a forward-looking approach to building the department's workforce.

Moreover, given the lack of clarity around the practical implications of the department's transforming mission, it is perhaps understandable that the focus has been on the shorter term and branch and divisional needs. Once leadership gives greater certainty on the practical implication of its transforming mission, the department should consider how best to align its workforce to desired strategic outcomes and position itself for the long term.

Learning and development strength

Learning and development opportunities in the department are universally seen as highly effective. The mixed model of centrally run, core capability courses and discretionary divisional budgets gives staff the flexibility to seek out training that supports their development and builds their capacity to do their job.

Despite budget cuts, the department has maintained a strong focus on preserving the level of professional development it offers to staff. Its learning and development program is also used as a tool to help attract and retain staff, particularly where the department has difficulty competing with private sector salaries and other public sector agencies. There is a widely held understanding of its importance and management are supportive of staff undertaking personal development.

The only limitation identified to the department's learning and development program is the growing difficulty in providing training for technical skills, primarily due to costs. The department houses a diverse range of functions, including areas requiring very specific skillsets (for example, the National Measurement Institute). The imperative is to be innovative in finding solutions to this fiscal challenge, (for example, through on-the-job training, mentoring and shadowing opportunities).

Individual performance management

While there is always room for improvement, SES staff in general were positive about the quality and appropriateness of the department's approach to performance management. This reflects the department's proactive approach to managing individual performance by providing mandatory management training for Executive Level staff and a very hands-on and supportive approach by the Human Resources area in matters of underperformance.

In this regard there is a two-tier approach, where an informal but rigorous process is first followed before matters are escalated to a formal performance management process. Consequently, the greater portion of performance management cases are resolved informally and this has been the subject of particular comment by staff transferring into the department from other agencies where such processes were considered far less effective.

4.2 Strategy summary

Outcome-focused strategy

- Individual parts of the department need to be 'keyed' to each other and the top level outcome.
- A focus on building and deploying human capital and innovative capacity into business and industry is required across all parts of the department with the aim of securing broad economic benefits for Australians. All parts of the department need to understand the challenges and needs of business and industry, including new and emerging industries and firms.
- There has, in recent times, been significant change in the department's ministers. As a result of serving multiple and changing ministers, divisions have tended to focus on serving their particular minister and need to look up and across the department.

Evidence-based choices

- The potential of the data gathered by the department is understood but there seems to be little movement to overcome the issues currently stopping the data from being better used, despite significant investment of time and resources.
- The department needs to accelerate its efforts to aggregate and share data. There needs to be capability to analyse it and a willingness to bring it to bear to support building evidence-based policy. Existing proprietorial attitudes towards individual data holdings need to be countered.
- There is a sharp focus on delivery but limited attention given to evaluating programs against high-level outcomes and whether results are helping achieve the strategic mission.

Collaborate and build common purpose

- External stakeholders value the professionalism of staff but see the department as sometimes slow and unreceptive to new ideas. That is, the department is seen as reluctant to advance policy ideas that might be politically challenging and is less capable when it comes to actively seeking out new opportunities with stakeholders.
- There are good models of the department partnering with the private sector on delivery. However the nexus is not as strong when it comes to economic and industry policy development.

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

Outcome-focused strategy

Guidance Questions		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

Working to the mission

As previously described, the department has the important mission of supporting the ongoing transformation of the economy by driving productivity, enhancing its skills base and harnessing innovation.

To support this objective the department has initiated programs such as Enterprise Connect and Commercialisation Australia. The success of these programs is evident through examples such as the recent government decision to extend Enterprise Connect services to the professional services, information and communication technologies, and transport and logistics sectors. These are large sectors in their own right and are critical enablers for businesses throughout the economy.

Many in the department, however, have indicated there is a disconnect between the ambitious overarching strategic plan and the operational and business plans as a path to achieving the transforming outcome.

The complexity of the department and the legacy it carries from multiple MoG and ministerial changes are seen as major contributors to the disconnect between strategy and operations. Equally there is recognition that the climate change and, to a much lesser extent, tertiary education and skills areas have not had sufficient time to realign their thinking to the new mission. However no length of time will create alignment without concerted action from key players.

The recently introduced process whereby divisional business plans are presented to peers before they are finalised is a positive initiative to help discuss cross-department priorities; however there is a need to coherently articulate the strategy through business planning to all levels of staff with a clear translation into tangible actions. Individual parts of the department need to be 'keyed' to each other and to the top-level strategic outcome. A failure to focus on results aligned with the overarching mission will result in continued wasted effort and energy.

Influencing outcomes

In the opinion of the senior review team, the focus on how sections of the department can work together to assert maximum influence over outcomes requires a far greater sense of urgency. At present, however, it would appear that the department is continuing to frame its work on influencing outcomes through the prism of a traditional industry-policy perspective and not leveraging its component parts towards strategic objectives.

For example, nearly six years after the science and research functions joined the department there remains a question over the department's capability to deploy the available tools to drive economic transformation through research funding in support of innovative outcomes alongside broader societal benefits. Within the context of government policy, debates over quality and measuring performance and acknowledging the significant cultural issues between industry and the tertiary education sector, more vigour and urgency is required.

In this respect the innovation precincts initiative launched by the government in March 2013, which will utilise an amount of $250 million from the Australian Research Council funding in support of the precincts, represents a useful model for bringing supply and demand sides of the equation together, along with other programs such as Researchers in Business which is looking to help commercialise research through small and medium-sized enterprises.

Equally, and within the context of the government's clear decision to favour a demand-driven approach to tertiary education placements, the department needs to intensify its efforts to inform student choices to produce outcomes that will see human capital developed and deployed in support of societal economic interests.

In short, all parts of the department require a well-rounded economic focus and to be attuned to the challenges and needs of the business environment, without becoming 'captured' by those interests. This includes established industries such as automotive and traditional manufacturing, but also important emerging industries such as enabling bio and nano-technologies and advanced manufacturing.

Thinking longer-term

Both internally and externally there is a desire for a more long-term thinking and planning informed by environmental scanning, domestically and internationally. Without a longer-term strategy, the department can be heavily influenced by other agendas, which may not necessarily align to its mission and which might lead to short-term fixes with little consideration for sustainability.

It is widely acknowledged that the frequent and multiple ministerial changes make formulating a long-term strategy difficult to achieve but underpinning policy and strong frameworks are essential if a significant transformational change is to occur in the Australian economy.

Divisions tend to focus on serving their particular minister's interests with the main aim of ensuring that industry is not a problem for Government. This results in divisions failing to look up and across the department when considering issues.

While a framework to facilitate internal coordination exists, it appears not to be used consistently and regularly. Following such a process would ensure the department's expertise was effectively marshalled. Additionally, structuring economic expertise to enable the department to build evidence and coherently set out issues in contentious policy areas would assist.

Just as some informed environmental scanning would potentially help the department to anticipate future challenges and, in doing, so better serve its ministers, a consolidated skills base integrated within the department, reflective of the capability that existed under the former Bureau of Industry Economics, would help build and attract economic capability and position the department as a centre of economic excellence.

Evidence-based choices

Guidance Questions		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		Development area

Knowledge management

Knowledge management is recognised as one of the biggest areas of potential for the department.

A broad range of information is available to the department from internal and external sources, such as the Australian Bureau of Statistics, industry groups, and its many stakeholders. Information collected through various programs and interactions with industry, for example, is rich and plentiful. So too is the valuable intelligence gained by divisions, such as AusIndustry and Enterprise Connect, through regular client interactions.

Understanding what information is available is an important first step, however harnessing these data sources and joining them to form a comprehensive evidence base is the real challenge.

At present, knowledge is devalued by inadequate, ad hoc processes for feeding information back into the department.

Staff have noted, for example, the lack of a coordinated Customer Relations Management System as a barrier to holistically managing overlapping stakeholder interactions. The department also has unsustainable systems to support knowledge sharing, including a Memorandum of Understanding with DEEWR to enable Tertiary Education staff to remotely log into the DEEWR system to access data. The climate change area also has systems based on a separate platform supported by the Department of the Prime Minister and Cabinet.

MoG changes have undoubtedly added a level of complexity to the department's knowledge management processes, with intelligence captured through a range of disparate systems. There are also cultural barriers to data sharing, including false perceptions of ownership by program areas. What is required most is an enterprise-wide approach to knowledge management, which will then provide a point of reference for resolving these system and cultural issues.

In this respect, the department recognises the potential for a more coordinated and considered approach to collecting, storing and conducting high-quality analysis of data, for both the department and the wider public service. The revitalisation of the Data Ginger Group (tasked with progressing projects relating to department-wide data management), which had previously made limited progress, and the appointment of the Chief Economist are recognised as key elements in making improvements a reality. The identification of 10 key indicators to track productivity among program recipients over the long-term is a positive step on the part of the group. However, other more immediate improvements need to be seen as a priority and a return on investment is required soon if staff confidence in the Data Ginger Group is to be gained.

In short, the department would benefit from building leadership, developing a strategy for knowledge management and building a culture that would make the effort to aggregate and share data. The department's willingness to do this, as well as to learn from the past—if coupled with the ability to identify economic trends—would improve its evidence-base for policy work and help build its reputation as a sound source of information and advice.

Effective evaluation

The department is rightly proud of its efforts in program evaluation, with more than 50 such evaluations completed by internal or external parties since 2010. Evaluation processes for operational activities are seen as well developed by many in the department, and this is supported by the presence of a Chief Internal Auditor and a Program Evaluation Office. Stakeholders generally agree that lessons learned from evaluations and reviews are incorporated into activities.

Moreover, evaluations are completed in accordance with the Department of Finance and Deregulation's guidelines, which is seen as a strength.

Despite this, like many other agencies, DIICCSRTE's evaluation of programs to determine their contribution to the department's strategic vision is not as rigorous as it could be. Indeed, without greater understanding of the impact of the department's programs, there is serious potential for wasted effort on programs not providing expected returns. In this respect, a framework that helps the department evaluate contributions to economic transformation and its innovation system is worth pursuing. This, in turn, can be supported by the work of the Chief Economist and his team in bringing an independent and critical eye to the evaluation task.

Collaborate and build common purpose

Guidance Questions		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		Well placed

Influencing within government

The department has a very broad reach in terms of its stakeholders through regular, meaningful interactions with small, medium and large businesses, research and educational institutions, industry representatives, and domestic and international governments. Overall there is high praise for the degree of professionalism shown by staff, particularly within the senior leadership.

Overall, however, the department appears to assert little influence with other APS agencies and options presented are constrained to those the Minister will accept, excluding others offering greater benefits for the broader economy. The department is seen as reluctant to advance policy ideas that might be politically challenging.

Although there are areas of strength, often the department is seen as passive in the development of cross-government strategy. Nevertheless, stakeholders see a stronger role for the department in facilitating forward-looking initiatives, suggesting a need to ensure information the department provides to ministers and industry represents the whole sector and is aligned to broader government policies.

A greater understanding of the broad government agenda, enhanced capability in negotiating positive outcomes with stakeholders (particularly at lower levels) and use of evidence to support innovative, outcome focused, transformational policies are seen as key to more actively driving the policy debate.

Private sector stakeholders

The department demonstrates good models of partnering with the private sector, including through the provision of business advice by Enterprise Connect, where approximately half of the advisor workforce is contracted in from third parties, as well as through the role of Commercialisation Australia in supporting venture capital through the direct employment of persons experienced in this field. Moreover, programs such as Researchers in Business represent models of academia, government and industry working closely together for a common goal. The Industry Innovation Precinct initiative is a new flagship program being managed by the department which will see the establishment of up to 10 industry-led innovation precincts as part of its commitment to support the growth and competitiveness of Australian businesses.

Each precinct will be headquartered in a specific location, but will focus nationally to better coordinate existing services and research capacity.

Notably, precincts will support established industries where Australia already has a competitive advantage and emerging industries that have export potential.

The department is in a prime position to gain insights into industry through these types of programs and its regular interactions with industry firms. However, it is largely seen by clients as responsive rather than proactive in seeking out opportunities and engaging with new stakeholders. In the majority of cases where the senior review team has spoken to clients it is 'they' who have found the department, rather than the department actively finding them.

The department needs to be more active in pursuing new opportunities and identifying the potential of emerging sectors if it is to drive transformation of the Australian economy. Shaping outcomes through the development of creative policy options—designed with stakeholders in mind or as active participants in the design process—and building deeper and more meaningful relationships with stakeholders is sure to assist the department in achieving better outcomes for all involved. It is also sure to build the department's status and reputation.

4.3 Delivery summary

Innovative delivery

- The department should be supporting private sector innovation and setting an example to the public sector. However it is held back by its cultural and systemic issues.
- The department does not have a culture that supports innovation and its leaders need to create a climate that encourages an innovative spirit. There is also a need for the department to build the requisite systems for translating innovation into improved outcomes.

Plan, resource and prioritise

- The department sees itself—and it is seen by others—as a 'safe pair of hands' for delivering programs that often carry high levels of risk. It has good controls at program level.
- Below the Executive Board, there is little by the way of decision making, including by oversight committees. This seems to be hampering progress on a number of fronts and is limiting opportunities for collaborating across the department and building ownership of the strategic mission.

Shared commitment and sound delivery models

- Authority over much of the business is devolved to division heads.
- The impact on division heads of old-fashioned and rule-bound corporate systems is seen as a significant barrier to efficiency and effectiveness. Corporate areas have not evolved in line with the demands of a much larger department.
- ICT systems are multiple and not connecting. While some actions have been taken to address this, an enterprise-wide strategic direction for ICT is lacking.

Manage performance

- Corporate reporting and compliance processes are complex, while performance reporting is minimal and program focused. While it is difficult to measure the overarching outcome of economic transformation, there should be clear, measureable second-order outcomes at departmental divisional and branch levels.
- There is no reporting of a consolidated picture of the department that ties back to the strategic priorities for the Executive Board's regular consideration.
- Consistent with the department's reputation as a safe pair of hands, there has been a risk averse culture for some time. This has tended to result in a focus on program control.

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

Innovative delivery

Guidance Questions		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		Development area

Leading public service innovation

Generally speaking DIICCSRTE is not viewed by external stakeholders, other government agencies or by DIICCSRTE staff themselves as particularly innovative.

There are a number of possible reasons for this, including a historic dimension of under investment and lack of leadership focus. The recent MoG changes have meant to a degree that attention has been directed towards managing the change on top of normal business with little time to be innovative. The 2012 State of the Service census data indicated that staff felt managers were unwilling to take risks or consider new ideas. Risk aversion and technology were also considered by staff as barriers to innovation.[5] The State of the Service data is supported by similar findings from this review.

To be credible in promoting the benefits of innovation to Australian businesses, the department needs to be seen as innovative. There is evidence to suggest that the department needs to further develop its ability to think innovatively. However, when it innovates it does so well and often links its innovative thinking back into core business and improving overall performance. One example is around improved response times for small business enquiries to ministers offices. The Small Business Support Line regularly assists enquiries made to these offices, by contacting the caller and providing relevant information, support and advice. Recently this service has been expanded to respond to relevant ministerial correspondence. This innovation has been positively received by constituents who have been contacted through the support line.

Another example is the new IT Blue Shirt Service program aimed at providing targeted onsite and desk-side support to staff across all DIICCSRTE sites and improving ICT service delivery

[5] When asked to indicate how much various factors were barriers to implementing innovation in their workplace: 49% of staff saw 'resistance to change by managers' as a barrier compared to 40% across the APS; 60% of staff saw 'technological barriers' as a barrier compared to 53% across the APS; 55% of staff thought 'unwillingness of managers to take risks' as a barrier compared to 45% across the APS; only 25% of staff believed there were 'established processes for evaluating my ideas' compared to 32% across the APS. These questions were not replicated in the 2013 State of Service Report census, although when asked if their immediate supervisor 'encourages innovation' 66% of staff believed so. This encouraging result is up 6% from the 2012 result and is 2% above the APS average.

by targeting areas for dedicated periods rotating through each division, including interstate locations. This recognises the various IT infrastructure needs of staff and the department's locations.

A number of discrete initiatives could already be linked under a framework to help encourage and strengthen innovative thinking, such as the People Recognition Framework, the provisions in the One Innovation Enterprise Agreement, Ideas Central and the new departmental values (one of the five values encourages innovation and continuous learning).

While the department cannot be the sole leader driving innovative delivery in the public service it should aim to create a strong culture and climate that encourages and fosters innovation and set an example for other departments and agencies. It is encouraging to note there is an appetite within DIICCSRTE to be more innovative and acknowledgement by most that it should set an example. An example of the department building this culture is its inaugural internal Innovation Expo for staff held in August 2013. The expo's purpose is to give staff a broader understanding of the department's divisions, highlight its diversity and scale of work and provide an important networking opportunity at all levels.

For cultural change to lead to greater levels of innovation, the department must ensure it is supported by appropriate systems and resourcing.

Helping private sector innovation

The department is perceived as being more effective in fostering innovative delivery in the private sector and a number of examples illustrate this.

Stakeholders see Enterprise Connect and Commercialisation Australia, for example, as excellent programs assisting businesses and commercialising innovations. The former has provided comprehensive, confidential advice and support to more than 19 000 eligible Australian small and medium-sized businesses since establishment and the latter has provided $178 million in venture capital grant funding to 430 companies since 2010. The VANguard initiative provides underpinning authentications to multi-agency programs such as AUSKEY and the Australian Business Number –Business Names.[6] The Australian Business License Information System[7] is an equally innovative online initiative assisting businesses in understanding regulatory obligations at federal, state and local level.

Furthermore, Industry Innovation Precincts will help business and researchers collaborate, share knowledge, deploy technology, create products and services and take advantage of business opportunities.

Finally, the internal No Wrong Door policy is fostering a new culture and change of mind-set to be a one-stop-shop to assist businesses and customers wherever they come into the department, and is being led by the key delivery divisions of Enterprise Connect, AusIndustry and Skills Connect.

These examples demonstrate that the department has innovative capacity in some areas, but innovative thinking across the whole is needed. This will involve freeing the department from its overly risk-sensitive culture.

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[6] Australian Business Number—Business Name is the national registration service replacing state and territory services.

[7] An Internet-based program which delivers information about licences, registrations, permits and assistance to business from all tiers of government.

Plan, resource and prioritise

Guidance Questions		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		Well placed

Delivery Models

There is internal and external consensus that the department is a 'safe pair of hands' for delivering programs that often carry high levels of risk and this is seen as a key strength. The department undertakes regular stakeholder surveys which indicate general satisfaction around program delivery.

Strong internal processes are in place to ensure accountability for and compliance of public monies, reaffirming the image of a 'safe pair of hands'. The Chief Financial Officer and corporate financial areas are seen to be highly effective around managing the complexities and challenges of the department's budget. To highlight this point, staff from the Skills Connect division (who joined the department in 2011) all undertook internal financial management training to reskill them to meet the new requirements.

As previously noted, division heads see the devolved model of business responsibilities as a departmental strength. Division Heads value that senior leadership trusts and respects their ability to run their divisions and get on with business. However there is an appetite at SES Band 1 and EL2 levels and with those responsible for delivering programs and dealing with customers directly to have greater authority and more devolved delegations.

While there is recognition that the multiple delivery models (for example, Skills Connect, Enterprise Connect and AusIndustry, Commercialisation Australia) reflect the diversity of activities and responsibilities the department has, some findings indicated a desire to review these delivery models to consider how to deploy them more effectively and/or share them across the department.

Governance and prioritising activities

As part of the department's governance structure, a number of standing committees and sub-committees focus on operations, ICT, programs, property, finance and other functions. These report to the Executive Board, comprising the Secretary, Associate Secretary and deputy secretaries.

In the opinion of the senior review team, these governance arrangements are not used effectively to drive the department's strategic mission and it is notable that the SES have expressed the view that there is a lack of opportunity to constructively input or obtain feedback from the Executive Board and its committees on decisions about broader departmental priorities and resource allocation.

While excerpts of Executive Board minutes are regularly circulated to division heads, many cited the recent exercise of identifying potential savings as an example of lack of visibility over departmental priorities. While division heads stated they could identify savings and possible cuts in their own business areas, they had no perspective on the priorities of other branches or divisions.

In short, it appears that governance structures are focused on the department's operational needs and delivery programs. However, there are no clear opportunities for SES staff to discuss, contextualise or debate the strategic priorities or policy issues with the Executive. Many saw the weekly Portfolio Manager's Meeting and Productivity Roundtable for SES as information sharing forums rather than forums in which to robustly discuss policy or strategic issues.

Shared commitment and sound delivery models

Guidance Questions		1 Does the organisation have clear and well understood delivery models which will deliver the agency's strategic outcomes across boundaries? 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? 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? 4 Does the organisation ensure the effectiveness of delivery agents?
Rating		Development area

A corporate enabler

DIICCSRTE's corporate functions represent a comparatively low overhead for the department. They have also recently faced the challenge of considerable change.

As the department has grown in size, it is understandable that its corporate areas have had to focus on more immediate and pressing challenges than questioning the future form and shape of the corporate business model. It is also understandable that the department has deferred substantive change given future uncertainty. However, the design of the corporate 'offer' must be tackled soon.

Many feel the current corporate model, appropriate as it was for a smaller department, is no longer suitable to meet the needs of a larger department. In fact, the Corporate division is viewed by many as struggling to cope with rapid change and communication about change across

the department has not been sufficient. Corporate processes are also seen as overly focused on compliance and not sufficiently focused on customer service. Indeed there were strong views that some corporate processes are rigid and inflexible, most particularly with the procurement process and the speed and operation of the Technology One financial management system, which needs further investment. These are seen as barriers to productivity and, in this respect, a number of comments were made that examples of better practice operating within the corporate areas of the agencies that had recently joined the department had been discounted in favour of dealing with immediate needs.

A number of other examples were provided through the review to support the view that corporate processes were a barrier to work and this was again attributed to the complications related to rapid growth of the department. For example, paperwork for transferring of staff is all hardcopy and not automated, using the online environment. With travel approval and conflict-of-interest disclosures, users want to move back to paper-based processes because they are quicker.

The Corporate division has acknowledged these issues and is undertaking improvement activities, such as revising rules and delegations. Plans to revisit better practice examples from recently merged agencies are encouraged.

However, in the opinion of the senior review team, greater understanding and a genuine focus on the internal customer is required if the corporate areas are to be true enablers. As such, it may be that the design of corporate services needs to be reworked. In doing so, however, the department should avoid disempowering division heads. The system developed should be fit-for-purpose, cost effective and flexible enough to manage change.

ICT challenges

There have been significant changes to the department's ICT environment over the past two years with the transition of approximately 2000 staff from the DEEWR and Climate Change portfolios. This has placed enormous stress on the ICT infrastructure which currently services around 85 locations with different business and security needs.

The ICT environment is one of multiple platforms and a plethora of legacy systems created for the most part by incoming groups and a devolved ICT management structure. The ICT environment is considered to be a significant barrier to productive and organisational cohesion. For example, some staff in the Tertiary Education areas must remotely log in daily to the DEEWR network to access the data and information they need to undertake their work.

The department is cognisant of the limitations caused by ICT and is working to improve its operating environment. It has embarked on a number of initiatives, such as moving to virtual desktops which provides a scalable single platform that meets different security needs, a central grants management program with 'patterns' that all new programs must be implemented into, and a legacy systems review to quarantine and decommission and/or replace redundant systems.

However despite this approach to improving ICT, there does not appear to be a consistent approach to considering and providing business solutions to the department. Separate to the drive towards a common ICT environment, the management of ICT business solutions is devolved with different areas housing their own ICT teams. Indeed, in the absence of an enterprise-wide approach, divisional autonomy is working against a coordinated and cost-effective approach to ICT. There continues to be division-specific ICT systems in the absence of department-wide capability, thus creating future compatibility issues and multiple repositories of data.

One example illustrating this problem is a line area recently wanting to develop a customer relationships management system which had potential wider application across the department. In the absence of any traction on the idea in departmental discussion, the ICT Strategy Committee decided to provide capital funding so the area could build its own stand-alone system.

As demonstrated through some services it delivers (for example, VANguard), the department has strong ICT technical and leadership capabilities. However there is lack of ownership at enterprise level for ICT business solutions. Without this the department will struggle to fully effect the changes it hopes to make, such as connecting datasets or supporting a common purpose through better understanding its clients.

In summary, the department is taking a big step forward and creating a fresh enterprise-wide platform that should dramatically alleviate the burdens placed on staff. However unless there is top-down leadership driving ICT direction and the solutions deployed, it is probable that the department may end up with a plethora of disconnected systems similar to what is currently in operation.

Manage performance

Guidance Questions		1 Is the organisation delivering against performance targets to ensure achievement of outcomes set out in the strategy and business plans? 2 Does the organisation drive performance and strive for excellence across the organisation and delivery system in pursuit of strategic outcomes? 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?
Rating		Development area

A consolidated picture

At present, many inside the department, and predominately those in program delivery areas, see corporate reporting as overly burdensome and procedural, distracting from the day-to-day running of activities. Conversely, performance reporting in the department has been described as minimalist.

There is the monthly Traffic Light Report which focuses on the progress of programs and activities from business plans against set milestones as well as a selected number of risks; and a quarterly performance report (the Quarterly Performance Executive Reporting Tool) which provides a narrative on emerging operational risks around financial, ICT and people. However, while these mechanisms provide useful operational information to the Executive Board there is no reporting on a consolidated picture of the department that ties back to the strategic priorities for the Board's regular consideration.

Moreover there is general consensus that key performance indicators are not well linked to the overarching outcome of economic transformation, and are too focused on outputs (that is, student numbers or number of customers per program) as opposed to outcomes.

While it is problematic for the department to measure the overarching outcome of economic transformation there should be clear and measureable second-order outcomes at departmental, divisional and branch levels set out in the strategy and business plans.

An appropriate risk appetite

The department has a number of mechanisms to manage risk within its organisation: compliance certificates; risk management tools; internal auditing; and approval processes for things like travel and procurement.

While some have expressed the view that appetite for reasonable risk has been on the increase, there is still a strong view, internally and externally, that the department is very risk adverse. A number of reasons were provided to senior reviewers to explain the culture of risk aversion, including a desire to avoid politically embarrassing headlines, the impact of budgetary constraints on investment in new directions, lack of clarity in the Secretary's appetite for risk and the absence of incentives or encouragement for staff to manage greater risk.

Those external to the department equally see DIICCSRTE as being less nimble when it comes to making quick decisions and consequently not seizing opportunities.

While there undoubtedly needs to be accountability and compliance with legislative requirements and the department understandably does not wish to risk its reputation as a 'safe pair of hands', there remains an opportunity for the department to step back and consider how it approaches risk and whether an overly defensive approach is limiting its ability to achieve its strategic mission of economic transformation and stifling the energy and spirit of its employees.

A more nuanced approach to risk could be engendered through the development of a high-quality consolidated picture of department performance that is focused on whether DIICCSRTE is achieving its strategic mission.

5. The department's response

The department welcomes the report of the Capability Review Team into the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education. I thank the APSC and specifically members of the senior review team, Mr Tony Cole AO, Mr Dieter Adamsas and Ms Stephanie Foster PSM, for their positive approach to the review and their considered analysis.

We welcome the review's recognition of the degree of change that the department has undergone (70 per cent of staff have less than five years in the agency) and the department's resilience in responding to the challenges that it has faced. We are also pleased that the review recognises the department's strengths in regard to respect, culture, the senior leadership team, staff, program delivery capacity, learning and development and performance management.

The department supports the action areas identified in the review and considers that the need to create a unified organisation and culture; building economic policy capability and influence; managing and evaluating programs; building expertise on what is happening in business and industry; becoming a leader in encouraging innovation and ensuring that corporate operations match the department's size and scope will be applicable regardless of our departmental responsibilities going forward. Indeed, the department already has work well underway to address a number of the issues outlined in the report and in other internal reviews conducted simultaneously; and the department is looking forward to fully implementing the recommendations in all action areas.

Dr Don Russell
Secretary
Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education

6. Abbreviations and acronyms

Abbreviation or acronym	Description
APS	Australian Public Service
APSC	Australian Public Service Commission
AusIndustry	Program delivery division within the department helping new and existing Australian businesses innovate, grow and succeed.
AUSKEY	Single pass login for business to access a number of government online services, such as the Standard Business Reporting website.
Commercialisation Australia	Specialist program within the department acting as primary source of assistance for commercialisation activities.
Data Ginger Group	Governance committee tasked with marshalling program data holdings for the purposes of effective administration, monitoring and evaluation of department programs.
DEEWR	Department of Education, Employment and Workplace Relations
DIICCSRTE	Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education
DIISR	Department of Innovation, Industry, Science and Research
EL	Executive Level 1 and 2 staff
Enterprise Connect	Departmental division responsible for policies and programs aimed at improving innovation, productivity, global competitiveness and market access.
Executive Board	Secretary, Associate Secretary and deputy secretaries
ICT	Information and Communication Technology
Middle Management	Supervisory staff, typically Executive Level 2
MoG	Machinery of Government change
QPERT	Quarterly Performance Executive Reporting Tool. Internal report measuring the department and divisional KPIs against benchmarks with respect to finance, stakeholders, compliance and people management.
SES	Senior Executive Service
Skills Connect	Departmental skills division supporting industry and employers to implement skills strategies.
SOSR	Australian Public Service Commissioner's State of the Service Report
VANguard	ICT program providing a suite of online authentication services to secure business-to-government and government-to-government transactions.
VET	vocational education and training