In an environment of slower economic growth, in which the expectations of governments, citizens and businesses are high, public confidence in the quality of public sector leadership is crucial.

The Australian Public Service (APS) is operating in a time that is more transparent, diverse, turbulent, ambiguous and, perhaps most importantly, more interactive than ever before. For APS leaders the key is to establish agile organisations with an embedded culture of innovation and an effective approach to increasing productivity. Broadly, productivity can be understood as the efficiency and effectiveness with which an organisation converts inputs to results. In predominately service-based organisations like the APS, this depends, in particular, on how well its workforce is organised and led.

Defining the full contribution the workforce makes to organisational productivity is difficult. However, the evidence is clear that the motivation, commitment and engagement of the workforce are all crucial inputs to productivity that can vary depending on the quality of leadership. For example, a study of 78 companies showed that organisations that had positive leadership cultures\(^1\) had 12% higher productivity than lower-performing organisations.\(^2\)

Similarly, other research has found\(^3\):

- the difference in business outcomes for an organisation between a top-performing leader\(^4\) and an average leader can be 50% or more
- organisations with the highest quality leaders were 13 times more likely to outperform their competition across a range of measures
- organisations with a more evolved leadership culture were three times more likely to outperform their competition

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1. As defined by the High Performing Workplaces Index (footnote 2), high-performing workplaces are associated with higher levels of authentic leadership, leaders who have a strong developmental orientation and leaders who prioritise people management as a key priority.


4. Leadership was assessed by leaders (12,243) and human resources professionals (1,897) in more than 2,600 organisations across 74 countries.
organisations with higher quality leadership were three times more likely to retain employees than their competition.

This chapter examines the contribution a positive APS leadership climate makes to the ability of the APS workforce to sustain high levels of performance and productivity in turbulent times. It provides an overview of the current state of APS leadership by outlining impressions the APS workforce has of its leaders. It then examines the impact APS leaders have on improving employee engagement, managing change and enhancing ethical behaviour. It concludes with a review of the efforts to strengthen the capacity and capability of the APS leadership cadre.

**APS leadership**

Increasingly, the productivity of APS agencies will depend on how effectively and efficiently leaders can, on one hand, realign agency strategy and reallocate resources to deliver on government priorities, while on the other, manage these changes so that the capacity, capability and motivation of the APS workforce is not compromised.

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**National site leadership in the Australian Taxation Office**

The shift in the Australian Taxation Office (ATO) from a regional to a national business operating model has been well supported by the site leadership initiative since 2004. There is no sense in the ATO of a national office and regional office divide so often prevalent in other large, geographically dispersed organisations. This is a testament to the success of the site leadership initiative. Currently sites are at different levels of maturity and the ATO is supporting each one to shift their focus from improving social cohesion to improving business outcomes to further drive productivity benefits.

To achieve this, the ATO has:

- clarified the leadership behaviours expected of employees at site level
- simplified and aligned site plans with the organisation’s People Strategy 2012–15, with Senior Executive Service (SES) Band 2 Site Champions taking accountability for the plans
- developed appropriate models for SES involvement according to the needs and demographics of each site.

Examples of the kind of initiatives sites are implementing to improve business outcomes include:

- mobility and rotation programs, enabling exposure to different work types and expanding capability
- mentoring or coaching programs that promote interaction across different business areas and enable knowledge sharing
- opportunities for networking and peer learning
- technical discussion groups to build expertise
- corporate discussion forums enabling SES to lead discussions with employees on the strategic direction of the organisation
- targeted initiatives to enhance employee engagement.
Leadership capacity and capability

There has been a decline in the number of Senior Executive Service (SES) employees over the last year. At 30 June 2013, the APS had 2,736 ongoing SES employees, compared with 2,769 at 30 June 2012. These figures are from the Australian Public Service Employment Database (APSED) and include ongoing and non-ongoing SES employees, including those occupying SES-equivalent positions and those on long-term leave. Figure 2.1 shows from the inception in 1984 until 2003 the size of the SES remained relatively stable with minor variations that reflected budgetary or organisational changes. However, the SES grew steadily between 2003 and 2012. The recent decline in SES numbers in APSED is the first since June 2001.

In June 2010, the government imposed a cap on SES numbers to control the growth of operational SES. The SES cap includes all ongoing and non-ongoing employees in SES roles for three months or more and excludes employees who are inoperative (that is, on long-term leave). The SES cap is monitored monthly. As at June 2013, the number of operational SES roles was 2,770, down from 2,850 in 2010.

In both measures of SES numbers it is clear that the growth in employment at these classifications has stopped and that overall SES numbers are reducing.

Figure 2.1 Ongoing SES employees, 1984 to 2013

Source: APSED

APS 6 and Executive Level (EL) employees are a critical element of the APS leadership pool. APS employees at these levels fill a mix of technical and leadership positions in which they are

5 Base, or substantive, classification is used in this analysis so anyone on temporary assignment at SES level, whose substantive classification is below SES, is not included.
responsible for delivering activities contributing directly to APS productivity. At these levels the art of direct leadership is learned in many agencies. EL 2 employees also constitute the pool of talent from which future SES employees are most likely to be drawn.

Figure 2.2 shows the three classifications have experienced considerable growth since 2003. The relative growth in the EL classifications has been the largest, with growth in the EL 1 classification the most significant.

The relationship between and movement within these three workforce classifications represents a significant workforce planning issue for the maintenance of a healthy APS leadership talent pool. While the APS workforce is refreshed by external recruitment, internal employee movements that capitalise on existing core public service knowledge, skills and abilities remain critical to the overall performance of the APS. Consequently, as the APS enters a period of downsizing, agencies will need to balance an overall reduction in absolute numbers against preserving the right mix of skills and opportunities for career advancement for talented leaders. As discussed in the next section, managing this workforce risk is seen by agencies as a priority for the next five years.

Work-level standards are one way agencies can consistently classify and manage the work value of positions. New work-level standards for the SES have been fully implemented. These are mandatory and all APS agencies must ensure the work value of each SES role is consistent with the work-level standards. Agencies must complete their analysis of all SES positions no later than December 2014. New work-level standards for APS 1–6 and EL 1–2 have been developed and are due to be released to agencies in 2013–14.
Similarly, APS-wide activities relating to performance management, the efficiency of the APS-wide learning and development system and approaches to talent management will all contribute to improving the management and performance of these important segments of the APS workforce.

Appendix 1 provides additional information on the demographics of the APS classification structures.

**Risks and priorities**

In the 2013 State of the Service agency survey (agency survey), agencies were asked to identify how demands on their agency heads and executive teams would change over the next 12 months. Forty-six per cent of agencies anticipated that demands in relation to setting strategic directions and priorities would increase greatly in the next year. This was the highest rated area of anticipated increased demand facing agencies in 2013. In 2012, only 35% of agencies identified this as an area of increased demand. Other activities agencies expected to increase greatly over the next 12 months included reallocating resources (41% of agencies) and managing significant change (40% of agencies).

Figure 2.3 shows the top six areas of workforce risk identified by agencies over the next five years (with comparative data for 2011–12). Addressing capability gaps remains a concern for more than 50% of agencies, although this is slightly lower than the number of agencies that cited this risk last year. Compared to last year, however, resource constraints, retaining skilled employees and limited career development opportunities for employees were identified by more agencies, perhaps reflecting the advent of downsizing. Although identified by fewer agencies than last year, middle-management leadership skills remained a significant issue in 2012–13.

Figure 2.3 Top six areas of workforce risk over the next five years, 2011–12 and 2012–13 comparison

Source: Agency survey
Leadership and engagement

Leadership can have a substantial positive or negative effect on the workplace. Good leadership can substantially enhance the work experience while poor leadership can have a profoundly negative effect on the workplace and workforce.

Figure 2.4 compares employee engagement scores from 2011 to 2013. While there was a decrease in scores for job, team and supervisor from 2011 to 2012, there were improvements across all four components of employee engagement in 2013, markedly so in the case of engagement with the supervisor. Given the tight fiscal climate and the beginnings of possible APS workforce reductions, this is a particularly positive result.

Immediate supervisor and SES capabilities

Overall, employee satisfaction with immediate supervisor capability remained high in 2013. Seventy-eight per cent of employees agreed with the statement ‘I have a good immediate supervisor’. This is an increase on 2012 (73%).

Figure 2.5 shows improvements across all immediate supervisor capabilities, including those that make up the Integrated Leadership System, such as achieving results and exemplifying personal drive and integrity which increased from 2012 to 2013. Areas that attracted the least favourable responses remained the motivation and development of people and encouragement of innovation.
Results from the 2012 APS employee census demonstrated that employees who strongly agreed with the statement ‘In my agency, the most senior leaders are sufficiently visible (for example, can be seen in action)’ recorded substantially higher scores on all elements of employee engagement than employees who disagreed with the statement. Figure 2.6 shows the same effect in 2013. Visibility is not the only feature of leadership that had an effect on employee engagement. Employees were also shown to value the opportunity to interact with their leaders in a meaningful way, with similar effects on all elements of employee engagement.
Figure 2.7 shows that, in 2013, 46% of employees agreed that agency leadership was of a high quality. This result was similar to previous years (2012: 48%; 2011: 47%). However, 47% of employees agreed their most senior leaders were sufficiently visible (for example, can be seen in action) compared with 45% in 2012 and 40% in 2011 showing a steady rise in perceptions of this behaviour over the past three years. A total of 42% of employees agreed that senior leaders in their agency engage with employees on how to respond to future challenges. This is also an increase on previous years (2012: 40%; 2011: 40%).

When asked about senior leadership capabilities, only 56% of employees agreed their SES maintain a focus on the strategic direction of their agency and the APS, down on the 58% that agreed with the same statement in 2012. Similarly, employee perceptions that senior leaders give their time to identify and develop talent remains persistently low and has fallen this year (2013: 28%; 2012: 30%).
There was an improvement in satisfaction with some leadership capabilities of immediate supervisors and SES over the past year, however there were also some areas where positive perceptions declined and/or remained persistently low.

**Discretionary effort**

Broadly, discretionary effort can be defined as the difference in the level of effort an employee is capable of bringing to an activity or a task and the effort required in meeting the minimum standard of performance. A more complete understanding of discretionary effort is important because research has demonstrated a positive relationship between discretionary effort and a range of organisational and employee outcomes, including productivity, engagement, job performance and absenteeism.6

Discretionary effort involves the employee willingly giving effort for which there is no formal expectation of reward. In practice, this might include willingly working extra hours to get the job done or willingly helping a colleague to learn a new skill or sharing job knowledge. In the past, discretionary effort was measured in APS employee surveys through items such as ‘When needed, I am willing to put in the extra effort to get a job done’. Consistently, this item, and others like it, showed no variance in response, with around 96% of employees responding positively. Nor did responses to this item provide any insight into the way these behaviours contribute to team and organisational performance. To better understand discretionary effort

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in the APS, the 2013 APS employee census (employee census) included additional items to examine two aspects of discretionary behaviour: behaviours related to the performance of the task or job, and behaviours related to supporting and helping colleagues in the workplace.

Academic research has demonstrated strong relationships between organisational work climates and job attitudes. Organisational climates that are generally viewed as positive (for example, those that are fair, supportive, ethical and/or participative) have emerged as reliable predictors of positive employee attitudes. Similarly, the link between climate and positive employee behaviours like discretionary effort, and negative behaviours like the withdrawal of commitment, is also well established.\(^7\) There is also considerable evidence that the individual characteristics of leaders\(^8\) and their different leadership styles and behaviour\(^9\) relate positively to different facets of work climate. Consequently, leaders can, through their behaviour, influence the extent to which employees contribute to team and organisation productivity through the effort they apply to completing tasks and contribute to building positive relationships within the team.

**Task related extra-role behaviours**

Figure 2.8 shows that in the fortnight preceding the employee census around one in three employees reported they worked extra hours every day or most days to complete work tasks and just over one-quarter frequently missed meals or other breaks. These items showed moderate or strong associations with the number of hours the employee reported working in the previous fortnight.

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Figure 2.9 shows that a positive response to these items is strongly associated with an employee’s classification, with more senior employees being more likely to invest extra work hours. In particular, SES employees are much more likely to work longer hours, miss meal breaks or take work home. It may be for other classifications that the ability to take work home is not as readily available and, consequently, the lower response is a function of the nature of work at a particular classification level or in a particular position.

Figure 2.9 Task related discretionary effort by classification, 2013

Source: Employee census

Figure 2.10 shows the proportion of employees who indicated they are ‘always or often’ under unrealistic time demands by the frequency with which they engage in discretionary effort behaviours. The differences are quite substantial. Forty per cent of those who indicated they gave up meal breaks to complete work also agreed they ‘always or often’ experienced unrealistic time pressures.
The level at which more senior classifications are giving additional effort raises two questions: Is there a negative impact on productivity? Is there a negative impact on organisational capability?

Burnout at work is a prolonged response to chronic emotional and interpersonal stressors on the job, and is defined by three dimensions: exhaustion, cynicism and helplessness. Research has shown that excessive job demands (for example, too much work for the available time) supports the notion that burnout is a consequence of overload. In particular, excessive workload and time pressure are strongly and consistently related to burnout, particularly the exhaustion dimension. This relationship has been found with both self-reports of experienced strain and more objective measures of demands such as number of hours worked.  

With senior leader talent management, ‘high-potential derailment’ is also a possible outcome of excessive workload. Derailment describes high potential leaders who want to move up in the organisation and who the organisation has identified as having high potential, but who either fail to reach their potential or leave the organisation before doing so. In addition to burnout, some employees derail intentionally by choosing to ‘plateau’ voluntarily or by taking themselves out of contention for advancement. This is an organisational capability issue in that it represents talent lost to the organisation or potential unrealised.

While high levels of task-related discretionary effort is positively associated with features of high levels of job engagement, there is also a need to monitor whether the effort is willingly given or is a function of unrealistic expectations and/or poor job design. All leaders are responsible for managing fatigue (their own and others) to ensure good decision making, the
maintenance of a skilled workforce, continued levels of high performance and sustainable organisational capability.

**Team related extra-role behaviours**

Figure 2.11 shows that, in the preceding fortnight, more than half of employees indicated they had shared their knowledge in the workplace ‘every day or most days’. More than one-third had gone out of their way to express appreciation to a colleague or offer suggestion on how work is done.

As can be seen in Figure 2.12, employee census results show employees at more senior levels reported they performed team-related behaviours more often. These results may be a function of greater opportunity for SES employees to engage in these behaviours as part of their role as leaders. However, there is a substantial difference between SES and EL employees who also exercise leadership responsibility as part of their role in an agency.
In the last fortnight, how often did you

- Help a colleague learn new skills or share job knowledge
- Go out of the way to give a co-worker encouragement or express appreciation
- Offer suggestions to improve how work is done
- Say good things about your agency in front of others
- Offer suggestions to improve the work environment
- Support a colleague who had a personal problem
- Defend a co-worker who was being put-down or spoken ill of by others

Source: Employee census

Interestingly, SES and trainees and graduates were more likely than other classifications to indicate they had said ‘good things’ about their agency in front of others in the previous fortnight. Figure 2.13 shows employees who engaged in this behaviour also showed a strong positive association across all elements of employee engagement.
In summary, leaders play a significant role in creating the environment in which engaged employees contribute to the productivity of the team and organisation through the effort they apply to completing tasks and building positive relationships within the team.

Leadership and change

The demand for the APS to be more agile and more flexible in developing and delivering public policy is growing. Meeting this demand in a tight financial environment requires APS leaders to constantly manage change in all aspects of the agency’s culture, structures, systems and processes.

Unfortunately, the evidence is that change management is rarely managed well. One leading researcher noted, ‘most change processes do not attract universal acclaim’.12 Others have asserted the ‘brutal fact is that about 70% of all change initiatives fail’.13 Despite this, there is also persistent evidence that leadership styles and behaviours influence the success or failure of organisational change initiatives.14

This year, the capability maturity model approach was re-introduced to assess key organisational capabilities across the APS. APS agencies were asked to indicate their current and required positions on a five-level maturity model for key agency capabilities, including change management. The capability maturity model is discussed in more detail in Chapter 10.

Table 2.1 shows there has been little change in the assessments agencies made of their capability to manage change between their first assessment in 2010–11 and this latest assessment. The majority of agencies continue to assess they need to be one or two levels above their current capability. These agencies aspire to a strategic approach to change management where formal program and project management techniques are applied to the process, and change is championed by senior leadership. However, the agencies assess that while the current desire for change has been well communicated and there are pockets of good practice, overall change is managed inconsistently.

Table 2.1 Change management capability maturity, 2010–11 and 2012–13

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<tr>
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<th>2010–11 (%)</th>
<th>2012–13 (%)</th>
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<tbody>
<tr>
<td>Agencies at a change management maturity level that would enable them to achieve agency goals within the next three years</td>
<td>26</td>
<td>23</td>
</tr>
<tr>
<td>Agencies that need to be one or two levels above their current change management maturity position to achieve agency goals within the next three years</td>
<td>69</td>
<td>68</td>
</tr>
<tr>
<td>Agencies that need to be three or more levels above their current change management maturity position to achieve agency goals within the next three years</td>
<td>5</td>
<td>8</td>
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Source: Agency survey

In the past year, 71% of employees reported being affected by some kind of change in the workplace. However, Figure 2.14 shows that more than one-third of all employees are not confident change is managed well in their agency. SES employees show the greatest confidence in change-management processes and EL employees the least. This has been a consistent set of findings for many years.

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15 The capability maturity model was introduced in the 2010–11 State of the Service agency survey and is discussed in more detail in Chapter 10.

16 Required positions are the maturity levels assessed by agencies as necessary to achieve their goals within the next three years.

17 A maturity model is a set of structured levels describing how well an agency’s practices and processes can reliably and sustainably produce required outcomes. The five maturity levels for agency capabilities are in Appendix 6.
Change is managed well in my agency

Figure 2.14 Employee perceptions of change management, 2013

Source: Employee census

Figure 2.15 shows when employees perceive change is managed well it is associated with substantially higher levels of employee engagement.

Figure 2.15 Effectiveness of senior leader change management and employee engagement, 2013

Source: Employee census
These findings are consistent with other Australian Public Service Commission (the Commission) research that has shown that APS employee perceptions of the effectiveness of change management improve when their senior leaders:

- encourage innovation and creativity
- demonstrate an ability to learn and adapt
- align change to organisational outcomes
- give time to developing talent
- are personally active in efforts to improve diversity
- encourage learning and development.

These six capabilities might be seen to fall into two categories. First are capabilities relating to the way in which senior leaders model and communicate the importance of change through their own behaviour, for example, the way they encourage innovation, are open to learning and supporting others by aligning change to organisational outcomes. Second are senior leader capabilities that model and communicate a commitment to change through a focus on the employee, for example, in the way they develop talent and encourage diversity or learning and development.

Broader research shows that positive leadership styles influence the success or failure of organisational change initiatives—in particular when those behaviours contribute to a sense that not only are employees involved in the change process but also a pattern of leadership behaviour over time has established a positive predisposition to change among employees. It may be these six senior leader capabilities are the expression of this finding in the APS.

The positive role of senior leaders in effectively communicating change is a recurring theme of organisational research. Thirty-eight per cent of APS employees agreed communication between senior leaders and employees was effective and 44% of employees agreed they were consulted about change at work. Other preliminary research by the Commission found that agencies with high levels of employee engagement reported using different communication strategies compared to agencies where employee engagement was lower. Agencies with higher engagement levels reported using communication strategies that were specific, targeted and personally involved senior leaders in delivering the message. It may be that applying these approaches to communication more generally, and to the management of change specifically, will improve employee perceptions in both areas.

In summary, the majority of agencies have identified the need to improve the systems and processes used to manage and monitor change implementation. Employees do not have positive views about the management of change but when they perceive senior leaders manage change well it is positively associated with employee engagement. Similarly, senior leader capabilities that model an acceptance of change and those that encourage those same behaviours in employees are positively associated with employee perceptions of how well change is managed. Finally, it may be that targeted change communication showing how leaders are personally

involved in delivering change is likely to have a positive impact on how change is perceived by employees.

**Decision making and delegation**

Capability reviews (Chapter 10) have highlighted concerns about the elevation of decision making in the APS. The review teams agreed that centralised decisions led to ‘an excessive reliance on the risk-scanning intuition of a small number of senior people’¹⁹ and noted ‘feelings among some staff that they are not trusted and valued by the senior leadership, which can be demotivating.’²⁰ Review teams also agreed that a more devolved approach to decision making would result in ‘freeing up senior officers time’, ‘giving junior officers more authority’²¹, along with the ability to develop their ‘leadership qualities, in making strategic resourcing decisions and in assisting to better articulate departmental strategies to staff and stakeholders’.²² Related concerns were also identified during the development of the APS Leadership and Core Skills Strategy. This work found decision making needed strengthening and the re-development of the APS learning and development programs will place a focus on addressing this issue.

A corollary of the reduced opportunity for middle-level managers to make decisions is that decision-making knowledge and experience becomes concentrated in more senior levels. This could lead to a cycle that reinforces decision-making behaviour that could ultimately reduce APS responsiveness and effectiveness.

The negative perceptions EL employees have of change management noted earlier is an important finding in relation to the observations made about the possible centralisation of decision making. A recent study of the role of middle managers in delivering change argued that middle management participation in change is constrained by senior leadership behaviour.²³ A lack of empowerment is seen as a source of change failure because middle managers are not able to effectively fill the gap between senior leadership and employees at lower levels. The employee census did not specifically focus on the empowerment of middle managers in relation to change management. However, these findings suggest there would be value in reporting this issue in the future.

The delegation of decision making is a key component of agency governance arrangements. In 2013, decision-making delegation was included as a capability in the five-level maturity model assessed through the agency survey. This capability was included to test the extent to which agencies were confident that decision making was delegated to the appropriate level and that relevant information on decisions was communicated back to managers.

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The majority of agencies (51%), employing 58% of the APS workforce, reported they are at a maturity level that would enable them to achieve agency goals within the next three years. Of these, most indicated they have a governance framework in place that is efficient and enables managers to delegate responsibility for decision making to appropriate levels. The other 49% of agencies reported they need to be one or two levels above their current maturity position to achieve agency goals within the next three years. The 49% of agencies that indicated they needed to be one or two levels above their current maturity levels were predominately small (36%) and medium (36%) agencies, with large agencies making up 28%. The majority of these agencies indicated that while a clear governance framework was in place for defining decision-making responsibilities, they were less confident that the responsibility for decision making was at the appropriate level.

Figure 2.16 shows employee perceptions of the extent to which they have autonomy to make decisions and their level of control over how work is completed.

Employees in specialist, smaller operational, regulatory and policy agencies reported higher levels of control in deciding how to do their work than autonomy in decision making. This result was particularly evident for specialist and policy agencies. In relation to specialist agencies, this finding may reflect the technical and professional nature of these agencies, whereby risk management frameworks require decision making to be delegated to a specific qualification or position. For policy agencies, the nature of work may result in decision making being undertaken at a higher level to offset the less clearly defined parameters of work. Employees from larger operational agencies, however, reported slightly higher levels of autonomy in decision making than choice over how they accomplish work tasks. This result may reflect more tightly prescribed work conditions that, because of articulated boundaries of authority, facilitate decision making within well-established parameters.

Figure 2.16 Employee perceptions of decision making autonomy by agency function, 2013

Source: Employee census

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24 One extra-large agency (more than 10,000 employees) was included in this group.
Leadership and ethical behaviour

The APS has a long history of emphasising high standards of ethical behaviour as a central component of public service culture. Public servants exercise authority on behalf of the Australian Government and manage significant financial resources on its behalf. Their actions directly affect the lives of the public and the confidence the public has in government.

The Australian public, quite rightly, demands high standards of behaviour and ethical conduct from the people entrusted with this responsibility. It is partly in recognition of this that Section 35 of the Public Service Act 1999 requires SES employees to promote the APS Values and Employment Principles and compliance with the Code of Conduct by personal example and other means.25

It is well established that the most effective way of undermining organisational values is for leadership to contradict them silently by their own behaviour, and that leadership support is critical to ensuring organisational values are well integrated into an agency’s systems, processes and procedures. Commission research also found that leadership is important in ensuring organisational values are understood by employees and applied to daily decision making.26

As a consequence, the Commission developed a model (updated in 2013) to assist agencies to embed the APS Values.27 The APS Values and Employment Principles provide the foundation for every management decision taken.28

Figure 2.17 shows APS employees consistently supported the view that their senior leaders, immediate supervisors and colleagues act in accordance with the APS Values.

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25 Agency heads are also required to promote the APS Values and Employment Principles and comply with the Code of Conduct (sections 12 and 14 of the Public Service Act 1999).


28 See Chapter 3 for a more detailed discussion of integrity and ethics.
In recent years, a range of topics and approaches have been used in the academic literature to investigate the relationship between ethical leadership, workplace behaviour and organisational outcomes. Ethical leadership has been found to have positive associations with wellbeing and job satisfaction, performance, employee engagement, cooperation and collaboration, ethical decision making, and moral reasoning. Ethical leadership has also been found to lead to reduced levels of workplace bullying.

There is debate in the academic literature as to whether ethical leadership is a unique form of leadership or whether it is a component of existing leadership frameworks—for example, ‘transformational leadership’, ‘authentic leadership’ or ‘adaptive leadership’—all of which emphasise the importance of an ethical leadership base in behaviour.

**Ethical leadership and employee engagement**

Poor ethical leadership climates have been associated with organisational cultures that emphasise self-interest as the primary behaviour, while good climates have been associated with cultures where the primary behaviour is the wellbeing of others. The APS has a very strong foundation of ethical leadership. It is clear that when immediate supervisors and senior leaders are seen to behave ethically this has a substantial positive impact on all aspects of employee engagement, and most likely on the overall productivity of the workforce.

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Figure 2.18 shows employees who indicated their SES ‘always or often’ behaved in accordance with the APS Values had higher engagement levels than those who did not. This result was consistent for immediate supervisors also—that is, employees who agreed their immediate supervisor behaved in accordance with the APS Values had higher engagement scores than those who did not.

**Ethical leadership and intention to leave**

Figure 2.19 shows employees who intended to leave their agency ‘as soon as possible’ were less likely to agree their supervisor and senior leaders ‘always or often’ act in accordance with the APS Values. Where the perception is that senior leaders are not acting in accordance with the APS Values the impact on the employees’ intention to leave the agency appears to be particularly powerful. Of those employees who reported they intended to leave their agency as soon as possible, less than 40% believed their senior leaders act in accordance with the APS Values.
Ethical leadership matters

In summary, when an APS leader is seen to model desired ethical behaviour, employees are more likely to regard the organisation in a positive light which supports reduced employee intentions to leave. The literature suggests there is also likely to be a reduction in counterproductive behaviours such as bullying.

Strengthening the leadership of the APS

This chapter has highlighted the contribution leaders make to enhancing individual performance and organisational capability. Continuing to strengthen the leadership of the APS remains a service-wide priority, supported by funding from agencies for the work of the Commission’s Strategic Centre for Leadership, Learning and Development (the Strategic Centre). In particular, this funding has supported the development and implementation of specific programs to support leaders as they transition to new roles, to enhance their capability in current roles and equip them to move to more senior roles. Moreover, APS thought leadership networks and events taking place across the APS encourage agencies to share knowledge and build the ‘one-APS’ ethos.

The leadership development effort across the APS

In 2011 the APS Leadership Development Strategy was released. This provided a new framework for APS leadership development that recognised leadership capability as a
combination of ‘knowing, doing and being’. Drawing on research and consultation, this framework identified that leaders need to:

- know how to lead—people, processes, technology
- behave in ways consistent with achieving results—strategic thinking, communicating well
- be a leader—self-awareness, authentic leadership, public service vocation.

The critical point is that combinations of these three components contribute to leadership capability. For example, success in leading and managing change requires a combination of knowing, doing and being, and the adaptability to adjust this combination to suit the changing environment. Understanding which strategies to employ to lead people through change, behaving in a manner conducive to positive outcomes (including communicating well), and being self (and situationally) aware to ‘bring people along’ are all essential to successfully implementing change.

The importance of developing leaders across all three elements has been reinforced by the findings from the employee census, with visibility of leaders and their meaningful interaction with people strongly influencing levels of employee engagement, communication and employee involvement. These are central to change management, and ethical behaviour as a safeguard against negative workplace behaviours (such as bullying). They are also an enabler of workplace outcomes, such as reduced intention to leave.

In addition, the 2011 strategy also initiated a fresh approach to the way leaders are developed. Contemporary research indicates leadership development is most effective when learning takes place over time using a range of learning methods (including learning through reflection and real experiences in the workplace). The 70-20-10 principle of program design identifies that development is most effective when it is a combination of structured on-the-job learning (around 70%), network or relationship-based learning (around 20%) and formal learning (around 10%).

The transition of senior executive leadership development activities to take into account both the knowing-doing-being leadership framework and the 70-20-10 model is almost complete. APS agencies worked collectively to develop refreshed leadership programs for SES Bands 1 and 2. These were offered for the first time in 2012–13. As noted by the Australian Public Service Commissioner in June 2012:

> We are creating a suite of leadership development programs that build towards transformational and adaptive leadership capability: leaders who are able to work with increasing levels of complexity and ambiguity on one hand and build their own consciousness of how they are as a leader on the other; [and] leaders who know what they don’t know and know how to work with others whose perspectives might be

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different to ensure that we correctly identify the problem before we move to solution finding mode.

The particular focus of each development activity varies depending on the target group. For example, the SES Orientation Program focuses primarily on the knowledge and skills participants need to perform effectively as an SES leader (the knowing and doing components of the framework), but also exposes participants to new ways of thinking that enables them to expand their vision about what it means to be a leader in the APS (the being component of the framework).

The programs designed to support the ongoing development of SES leadership capabilities use the APS leadership development framework to focus on building knowledge and skills to overcome capability gaps in strategic, change and people leadership while building strong concepts of ‘self-as-leader’ within the specific APS context of ethics, values and responsiveness to government. Importantly, these programs focus on developing the ability to work with ‘wicked’ or ‘adaptive’ challenges within complex, fast-paced environments. These programs present a contemporary view of leadership as a practice rather than a position. While the current focus is on the most senior levels due to the crucial role they play in establishing direction, setting culture and driving change within agencies, other levels will be the focus of future efforts.

**Talent development across the APS**

Research by the Corporate Leadership Council has found that organisations that successfully identify and develop high-potential talent enjoy short and long-term advantages over their competitors.\(^{35}\) For the APS, competitive advantage in a commercial sense is not the goal. However, successfully identifying and developing high-potential talent will position the APS to not only meet future challenges but excel in providing public policy advice and service delivery.

Slightly higher than last year, 59% of agencies (covering 84% of the workforce) had in place, or were developing, a talent management strategy that covered all or part of their organisation.\(^{36}\) One-third of agencies indicated there was a strategy in place for EL 2 employees while 18% indicated there was a strategy in place for SES employees only. Twenty-four per cent of agencies indicated there was a talent strategy in place for other levels of employees.

The most common measures agencies put in place to develop talented employees, regardless of classification were:

- focusing on creating in-depth experience within the agency (for example, internal job rotations)
- identifying emerging skill set needs

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\(^{36}\) Only 79 agencies were asked to provide detailed data on talent management, learning and development. To reduce the administrative burden on small agencies, those with fewer than 100 employees completed a shortened version of the agency survey. In 2011–12, 55% of agencies reported they were developing a talent management strategy in all or part of their organisation.
- using mentoring, coaching, peer support schemes
- establishing programs for building leadership strength
- identifying critical positions.

There were differences in emphasis across classifications. For example, for APS 1–6 employees the primary emphasis was on ‘creating in-depth experience’ whereas for EL and SES employees it was on ‘building leadership strength’. Additionally, for SES employees there was emphasis on using talent development programs as a means of ‘assessing leadership strength in the agency’.

The challenges agencies experienced in developing talent in 2012–13 varied by classification. For APS 1–6 employees, the key challenges identified (in priority order) were: a lack of career or mobility opportunities within the agency, the lack of a talent management framework or strategy, losing key employees due to competition with other APS agencies, and difficulty in developing talent internally. For EL employees, the challenge for agencies around lack of career or mobility opportunities remained but there was also concern about ‘retirements leading to a loss of corporate knowledge’ and greater emphasis on the difficulty in developing employees internally. For SES employees, the primary challenge agencies identified was the ‘lack of talent management framework or strategy’ followed by a paucity of internal development opportunities and retirements leading to a loss of corporate knowledge. For SES, there was also an emphasis on the ‘limitations in rewarding talent’.

While agencies may focus on developing talented employees to take on internal roles, the Strategic Centre, on behalf of the APS as a whole, takes a broader perspective to ensure the APS as an institution has a sustainable pool of talented people for critical leadership roles. Participants in talent-management activities run by the Commission are not only assessed by their managers as high-performing, they are also believed to have the aspiration, ability and engagement to move into more senior roles. As talent development program participants are usually strong on delivering results, the program’s major focus is on developing people leadership and self-as-leader skills. These are the same skills that have the potential to impact positively on employee engagement and change leadership.

In 2011, the Secretaries Board endorsed the principles for an APS talent management system, which included an initial focus on the SES. Initially, the talent development program targeted high-performing and high-potential SES Band 2 leaders. Targeting high-potential SES Band 3 employees for intensive development took place for the first time in 2012–13. Band 2 and Band 3 programs will be run for a second cohort in 2013–14. Subsequent work will address the next priority for whole-of-APS talent development, most likely the Band 1 cohort. Feedback to date is that the refreshed SES leadership programs and new talent management programs are highly regarded by participants.
Band 3 talent development

As stewards of an enduring institution, Secretaries take an active interest in ensuring that the APS has a healthy pipeline of talented employees who are capable of shaping their organisations and who thrive in demanding leadership roles. To this end, a pilot Band 3 Talent Development Program began in 2012–13 to identify the development needs of high potential Band 3s, providing assurance that the APS has a strong pool of succession-ready leaders who are capable of filling Secretary or agency head vacancies.

Consistent with the APS Leadership Development Strategy and recognising that high-potential leaders are often strong at delivering results, the Band 3 Talent Development Program emphasises improving leadership practice, focusing on improving self and social awareness and people leadership capability.

Eighteen high-potential Band 3s took part in the pilot. Participants were selected based on their performance and potential (ability, aspiration and engagement). They were required to take part in a rigorous assessment process, providing 360-degree feedback on leadership strengths and potential development areas and culminating in a development discussion with a panel of current Secretaries. The panel discussion also helps Secretaries to develop shared insights into the succession pipeline for Secretary roles.

Since the completion of the assessment process, participants have been actioning personal development plans, which have included a range of personalised development opportunities ranging from job rotations to coaching and stretch assignments.

Feedback on the pilot has been positive, with 85% of participants agreeing that the process enhanced their understanding of their leadership strengths and development needs. A second Band 3 Talent Development program will run in 2013–14.

Core and management skills development effort across the APS

Equally critical to the ability of the APS to deliver on public and government expectations are the management skills that complement leadership capability. The APS Leadership and Core Skills Strategy was developed to respond to the changing requirements of the APS and enhance leadership development and core skills learning and development to position the APS to effectively respond to current and emerging challenges. In addition to the leadership capabilities identified in the 2011 strategy, three related development areas were identified as within the scope of this work:

- Foundation skills: essential workplace skills relevant to employees at all levels. These skills underpin leadership capability, core skills and management skills and are essential for effective operation in an agency.
- Core public service skills: these are public sector-specific knowledge and skills essential to the public service institution and of relevance to all public servants. Development of these skills would normally occur at APS 1–6 and EL levels.
- Management skills: these skills build on the core public service skills and provide the skills needed as public servants move into positions of authority (normally at EL and SES levels, although some APS 1–6 employees are in positions of authority). The framework identifies the public sector-specific management skills that support sound decision making and enable public sector managers to navigate APS systems and processes.

Initial implementation of the strategy focused on areas critical to employee engagement and high-performing organisations. Working with a reference group comprising agency representatives, the Strategic Centre has developed whole-of-APS learning programs to embed APS ethics and Values (critical to ethical leadership and the foundation for values-based decision making), to effectively manage performance, coach and develop others (critical to building the relationships which support discretionary effort), and structure work (an important foundation skill for thriving through change, and improving productivity). Though this work is in its infancy, with pilot programs for APS ethics and Values, structuring work, performance management, and coaching and developing others held between July and October 2013, preliminary feedback was positive. Fully customisable program materials for each of the four priority areas will be available to all APS agencies from early 2014, reducing the need for duplication of learning and development effort across the system and freeing agency resources to be used on agency and job family specific skills development. The coming year will see action on other priority skill clusters identified in the strategy, including working within and across teams, working with government and decision making.

Key findings

This chapter has examined the contribution a positive APS leadership climate makes to the ability of the APS workforce to sustain high levels of performance and productivity in turbulent times. Leaders play a significant role in creating the environment in which employees contribute to the productivity of the APS. As reflected in employee engagement and employee perceptions of change management skills and ethical leadership, in 2012–13 there was an overall improvement in satisfaction with the leadership capabilities of immediate supervisors and SES. There remain, however, areas where improvements can still be made.

The majority of agencies have identified the need to improve the systems and processes used to manage and monitor the implementation of change. Additionally, the appropriateness of decision-making delegation was questioned for many agencies in the capability review program, which highlighted potentially negative outcomes of excessively centralised decision making. In addressing these issues, it may be that targeted change communication that shows how leaders are involved in delivering change is likely to have positive impact on how change is perceived by employees. Likewise, deliberate strategies to harness the complementary capabilities of senior leaders and immediate supervisors in making workplace decisions may yield positive outcomes for the continued responsiveness and effectiveness of the APS.

Similar to previous years, in 2013 APS employees consistently supported the view that their senior leaders, immediate supervisors and colleagues act in accordance with the APS Values.
Continuing to strengthen the leadership of the APS remains a service-wide priority. APS agencies have contributed significant resources to support whole-of-APS initiatives in this area through the work of the Strategic Centre and the APS is now well-placed. In particular, specific programs have been delivered and implemented to support leaders as they transition to new roles, to enhance their capability in current roles and equip them to move to more senior roles. The collaboration on leadership has continued with the development and progressive implementation of the APS Leadership and Core Skills Strategy. Trials of new approaches to develop APS core skills have been encouraging and are a powerful example of the value of efficient innovations using the ‘build once, use many times’ approach.