

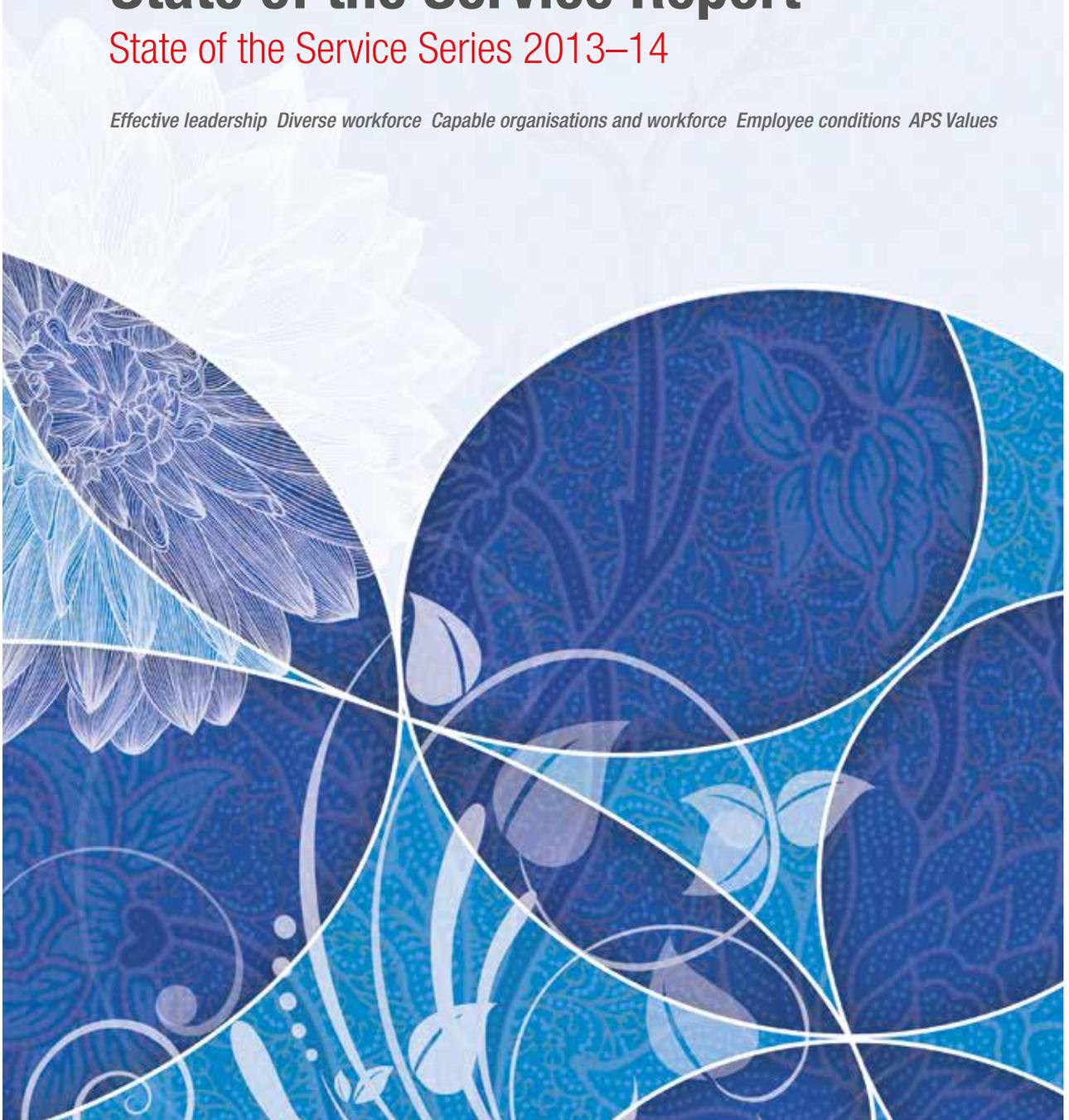


Australian Government
Australian Public Service
Commission

State of the Service Report

State of the Service Series 2013–14

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



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Managing for change

The environmental, demographic, regional, security, economic and social policy challenges facing all governments are complex and pressing. Similarly, governments are interacting with increasingly diverse communities that are more demanding in terms of the expectations they have of service delivery.¹ For the public sector, the balance has been steadily shifting from managing process and outputs to sophisticated analysis and policy creativity to identify and resolve the most complex issues facing communities.

The need for change is often unpredictable. It can emerge quickly forcing Australian Public Service (APS) leaders to be reactive and tactical but it can also be a process of continuous incremental adaptation. For many the scale of change required is transformational rather than incremental. Some believe governments need 'to re-imagine the way they design and deliver public services'.² For example, Capability Reviews identified the most significant driver of change in the Department of Human Services was the shifting expectations of the customer base regarding how they access services and a growing belief that government as a whole should be offering a comprehensive suite of services to individuals, irrespective of the product or agency responsible for delivering a particular service. There is a view that the current model for government service delivery is not in line with expectations around convenience of access, quality or reflective of advances in technology.

Regardless of how change might be defined or described, the primary task for APS leaders and managers is to coherently manage organisational change. Change is an ever-present feature of organisational life, and the ability to manage change is a core skill.

From 2011 to 2013, however, State of the Service reports have reported a decline in employee perceptions of how well change is managed in the APS. Similarly, a review of the Capability Reviews published at the time of writing this chapter demonstrates that while a small number of agencies had good change management practices in place, the remaining larger proportion need to develop this area.

The 2013 State of the Service Agency Survey (agency survey) reported on a capability maturity model approach to assessing key organisational capabilities across the APS, including change management. Less than one-quarter of APS agencies reported their

¹ Albrow, M 2001, 'Society as Social Diversity: The Challenge for Governance in the Global Age', in *Governance in the 21st Century*, Organisation for Economic Co-operation and Development, Paris, pp. 158–162.

² Garner, C & Mann, D 2014, *Now Hiring Public Entrepreneurs: Four Steps Australian Public Sector Leaders Need to Take*, Accenture, p. 3, viewed 23 October 2014, <<http://www.accenture.com/au-en/Pages/insight-now-hiring-public-entrepreneurs.aspx>>.

change management capability was at the desired level. Indeed, of the eight capabilities assessed, change management was rated the second lowest. Change management was also one of two capabilities assessed using this method in both 2011 and 2013, where agencies reported that little or no improvement had been made.

Lack of capability in managing change is not a problem unique to the APS. In the nineties, the influential practitioner magazine, the *Harvard Business Review*, published two articles: ‘Why change programs don’t produce change’³ and ‘Leading change: why transformation efforts fail’.⁴ These articles set the tone for over 20 years of debate on why organisational change fails in the business sector. An article by the same lead author 10 years later asserted that, ‘the brutal fact is that about 70 per cent of all change initiatives fail’.⁵ This statement has subsequently been routinely re-stated as fact. More recent work, however, has found there ‘is no valid and reliable empirical evidence to support such a narrative’.⁶

In establishing change management practices for the APS there is a need to take into account the unique nature of change and operations management in the public context. There is persistent evidence in the broader literature that leadership styles and behaviours influence the success or failure of organisational change initiatives. Similarly, the type of change undertaken (process, cultural, technological and structural) has an impact on its success or failure, as does the type of change approach (directive or collaborative, whole-of organisation or team-based).

This chapter reports on change management in the APS, focusing on the organisational practice and employee experience of change. Understanding and adopting change management best practices that suit the APS context may offer a route towards improved performance and productivity in the APS.

The experience of change in the APS

Change in the public service is, itself, an ever-present constant. For example, results from the APS Employee Census (employee census) show that employee perceptions of the rate of change within the APS have been high and rising over the past three years. The current emphasis on rethinking the role of government, through activities such as the National Commission of Audit, together with the tight fiscal and changing social environments point to a requirement for ongoing and transformational change across the APS.

Capability Reviews identified three main drivers of change in the Australian Taxation Office (ATO); external demand by customers for greater access to improved services, internal agency culture and challenges in realising efficiencies. Likewise, Capability Reviews pointed to a changing client base and outdated service delivery approach as the most significant drivers of change in the Department of Veterans’ Affairs.

³ Beer, M, Eisenstat, RA & Spencer, B 1990, ‘Why change programs don’t produce change’, *Harvard Business Review*, vol. 68, no. 6, pp. 158–166.

⁴ Kotter, JP 1995, ‘Leading change: why transformation efforts fail’, *Harvard Business Review*, vol. 73, no. 2, pp. 59–67.

⁵ Beer, M & Nohria, N 2000, ‘Cracking the code of change’, *Harvard Business Review*, vol. 78, no. 3, pp. 133–141.

⁶ Hughes, M 2011, ‘Do 70 Per Cent of All Organizational Change Initiatives Really Fail?’, *Journal of Change Management*, vol. 11, no. 4, pp. 451–464.

The size of the APS and its activities is determined by the way in which the government approaches the complexity of public administration and the means by which it chooses to achieve its policy objectives. The amendments to the Administrative Arrangements Order made by the Governor-General on 18 September 2013 involved wide-ranging changes to the structure and functions of a number of APS departments and agencies. Appendix 2 provides more detail on these.

The result was 36 separate machinery-of-government (MoG) changes which affected more than 13,000 employees. These figures, however, potentially underestimate the extent of the organisational disruption across the APS in the past 12 months. In the 2014 employee census, employees were asked to indicate whether their immediate work group had been directly affected by any major workplace change (such as functional, geographical, and/or staffing changes). Nearly three-quarters of APS employees (74%) responding to this question indicated they had experienced a major workplace change. While more than 13,000 APS employees were directly impacted by MoG changes, the second-order effect is likely to have been more widespread.

The Department of Social Services: Machinery-of-government changes



The Department of Social Services (DSS) had functional changes and was renamed with the 2013 MoG changes. The Building DSS project involved a programme of work to smooth the implementation of these changes. DSS transferred out approximately 1,000 full-time equivalent (FTE) to the Department of the Prime Minister and Cabinet and transferred in approximately 1,700 FTE from the former departments of Health and Ageing; Immigration and Citizenship; Education, Employment and Workplace Relations; Innovation; and Prime Minister and Cabinet. The Building DSS programme had three key tiers of work:

- making the transition to one department
- putting in place the infrastructure to establish the department
- realising business efficiencies through ongoing business improvement and defining the new operating model.

Building DSS also had in place strong governance arrangements, with an executive level subcommittee chaired by a Deputy Secretary and reporting to Executive Management Group. DSS also had an officer-level programme board monitoring projects and assuring deliverables.

In accordance with good programme management practices, a programme management plan was developed which included a risk management plan, a communications strategy (including a specific Senior Executive Service communications strategy), and a project register and sequencing matrix.

The project provided a significant test of change management knowledge and resources. The department was able to quickly move to define the parameters of the change, put in place a programme of work that allowed a staged approach to manage the change, and develop a communications strategy that kept employees informed at all points along the way. This enabled a relatively smooth transition and business continuity in core functions.

Table 6.1 shows that when employees were asked to indicate from a list of types of change (including an ‘other’ category), the most commonly experienced change in the 12 months before the employee census was a decrease in staff numbers followed by structural changes, changes in supervisors and changes to work priorities. Additionally, there was a difference in the experience of change across the different classification levels with 80% of Senior Executive Service (SES) employees reporting they experienced a major change while only 73% of APS 1–6 level employees reported the same.

Table 6.1. Types of change experienced by APS employees, 2014		Source: Employee census
Type of change		%
Decrease in staffing numbers		67
Structural change (change in division or branch structure)		57
Change in supervisor		46
Change in work priorities		46
Functional change (e.g. change in responsibilities)		42
Change in SES leadership (e.g. change of branch head)		35
Change in physical workplace (e.g. moved to a new building, existing workplace renovated)		32
Machinery-of-government change		30
Increase in staffing numbers		10
Other		9

Respondents from every agency reported major change. After excluding agencies with a very small numbers of respondents, the proportion of employees in each agency experiencing some form of major change ranged from 15% to 98%. Table 6.2 shows employees from policy agencies were the most likely to report they had experienced change in the 12 months before the employee census, while employees from specialist agencies were the least likely.

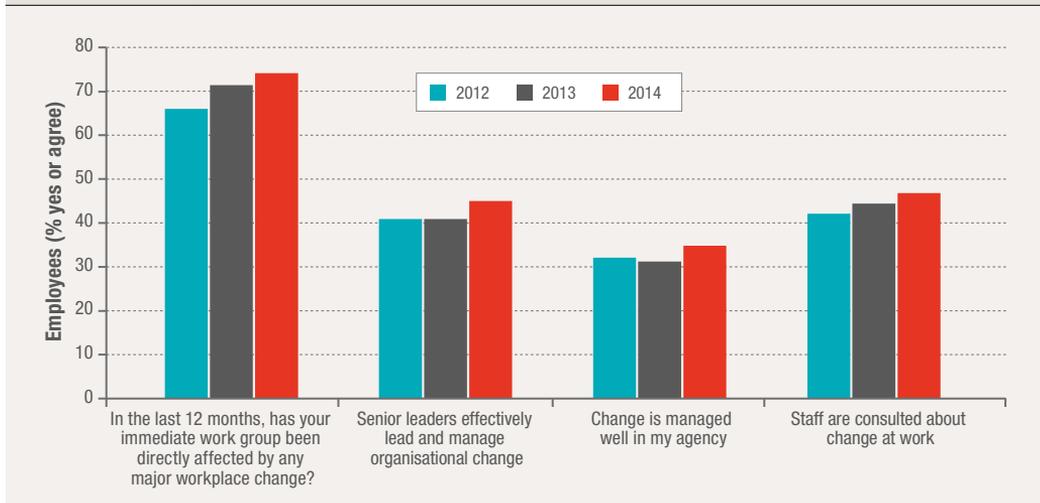
Table 6.2. Change across agency clusters, 2014		Source: Employee census
Agency cluster		Employees experiencing major change (%)
Policy		82
Regulatory		73
Larger operational		73
Smaller operational		72
Specialist		67

As previously noted, results from the employee census highlight the high and rising employee experience of change in the APS. Figure 6.1 shows that in 2014, APS employees reported experiencing more change than in the two preceding years (74% compared with 71% in 2013 and 66% in 2012). Despite the increased experience of change within the APS, employees reported increased satisfaction with senior leader effectiveness in managing change (45% in 2014 compared to 41% in 2013), improved perceptions of how well change is managed in their agency (35% in 2014 compared to 31% in 2013), and improved consultation about change at work (47% in 2014 compared to 44% in 2013). The improvement in employee perceptions of how well changed is managed in their agency represents a reversal from a decline in this measure in 2013.

While the trend in these results is positive, less than 50% of employees agree with these statements which reinforces the findings from the agency capability maturity assessments and Capability Reviews that there is still room for improvement in the way change is managed in the APS.

Figure 6.1. Employee perception of the experience and management of change in the APS, 2012 to 2014

Source: Employee census



Change management and employee performance

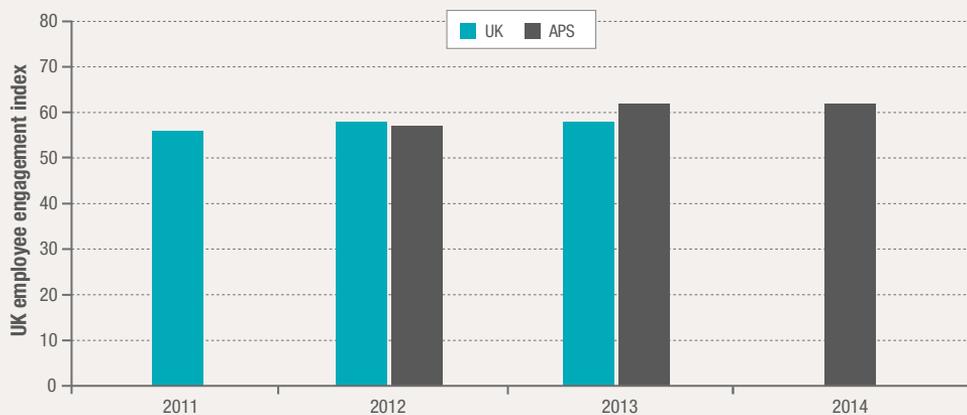
The ability to manage complex and parallel changes, and the ability to predict and handle different responses to change among employees, are key management skills. As previously stated, 74% of APS employees reported experiencing a major workplace change in the 12 months before the employee census. The impact of such extensive disruption on workforce performance is examined in the next section.

Change management and engagement

It was, perhaps, reasonable to expect a decline in employee engagement this year as a result of the substantial change that has taken place across the APS. Potentially, change fatigue and rising employee cynicism could result from longer working hours and work intensification due to downsizing and delayering organisations. As reported in Chapter 5, however, this has not occurred and employee engagement levels across the APS are slightly higher than last year and show a positive trend over the past three years.

Similarly, significant restructuring and downsizing in the United Kingdom (UK) since 2010 has seen little impact on the employee engagement index developed for the UK Civil Service. Figure 6.2 shows that employee engagement in the UK Civil Service remained relatively steady between 2011 and 2013.⁷ Applying the UK employee engagement index to the APS (as opposed to the APS Employee Engagement Model) shows an increase in APS employee engagement from 56% in 2012 to 62% in 2013 and 2014.

Figure 6.2. UK Civil Service employee engagement index, 2011 to 2014 Source: Employee census, UK Civil Service People Survey

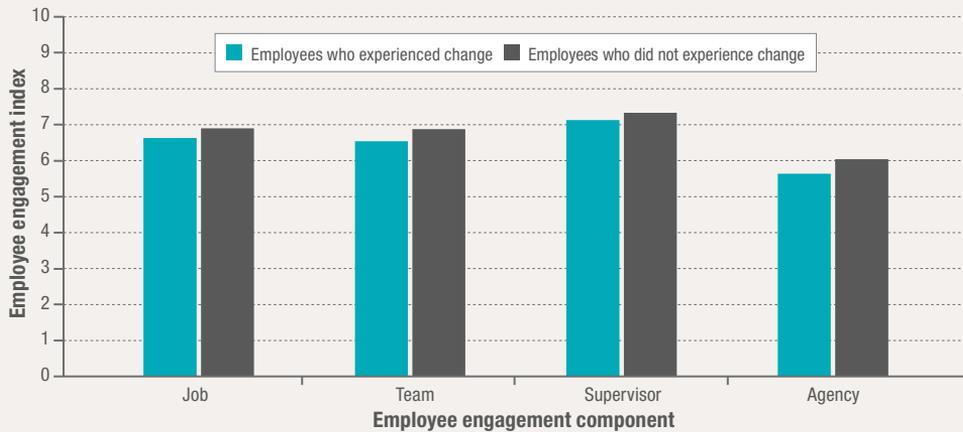


Employee engagement at a whole-of-service level, however, tells only part of the story in relation to the impact that organisational change has on employee engagement. Figure 6.3 shows that, at an individual level, experiencing change has a negative effect across all four components of the APS employee engagement model.

⁷ The UK employee engagement index is calculated as a weighted average of the responses to five employee engagement questions. The index ranges from 0% to 100%, where a score of 0% represents all respondents giving a rating of 'strongly disagree' to all five questions; and a score of 100% represents all respondents giving a rating of 'strongly agree' to all five questions. The APS employee census includes the same five questions from the UK Civil Service People Survey. United Kingdom Civil Service 2013, *Civil Service People Survey 2013: Civil Service benchmark scores*, GOV.UK, London, viewed 9 October 2014, <http://www.civilservice.gov.uk/wp-content/uploads/2013/11/csps2013_benchmark_report_20121125.pdf>.

Figure 6.3. Employee engagement for employees experiencing major change, 2014

Source: Employee census

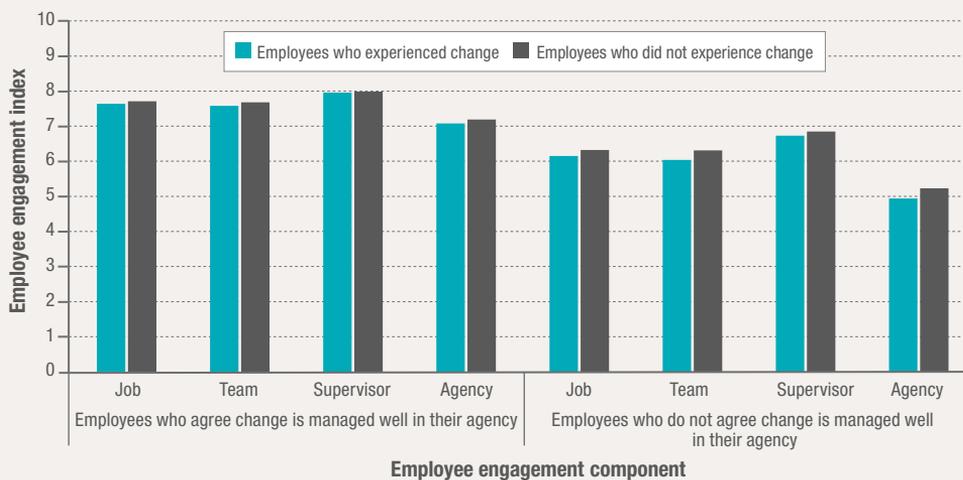


However, this negative impact of change on employee engagement may be moderated by employees' perceptions of how well change is managed in their agency. Figure 6.4 shows that employees who believe change was managed well (the left hand side of the figure) have higher overall engagement scores than those who believe that change was not managed well (the right hand side of the figure), regardless of whether they experienced a major change or not.

Figure 6.4 also shows, perhaps somewhat surprisingly, that the negative impact on employee engagement of experiencing change (the difference between the two columns) is only slightly smaller when employees believe change is managed well in their agency than when they do not.

Figure 6.4. The relationship between employee perceptions of agency change management and employee engagement, 2014

Source: Employee census



In terms of what these results mean, it may be that when employees are generally more positive about how change is managed in their agency this has a slight buffering (or moderating) effect on the experience of change when it occurs. This may also suggest that the conditions that contribute positively to employee perceptions of change are established both over time and in direct response to a specific change.

Change management and intention to leave

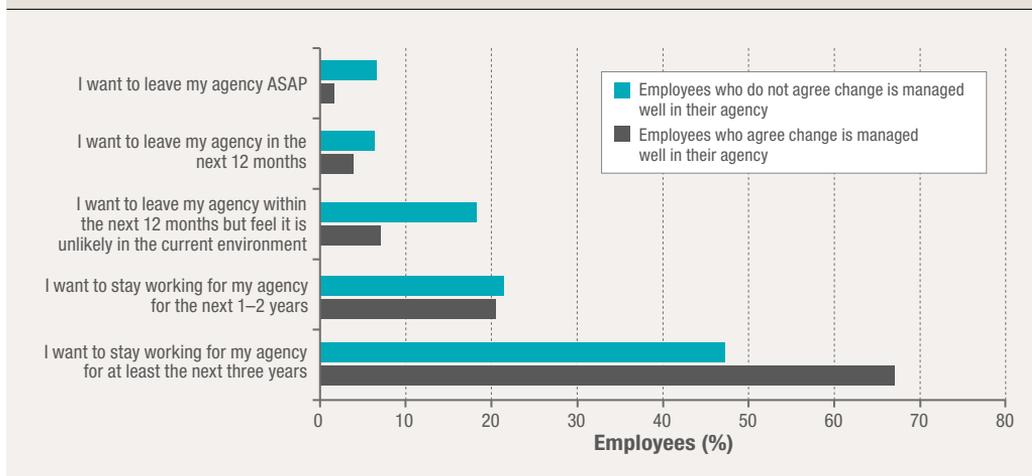
Intention to leave is an important lead indicator for assessing the capacity of the APS workforce. For example, a high intention to leave in a work area or agency may indicate potential difficulties in delivering on objectives.

Figure 6.5 shows that employees who believe that change is managed well in their agency are more likely to indicate they want to remain with their agency for at least the next three years. Conversely, employees who do not believe change is managed well in their agency are more likely to report they will leave their agency within the next two years.

This year employees were also asked if they wanted to leave their agency in the next 12 months but felt that the opportunity to do so was unlikely given the current environment. Interestingly, Figure 6.5 shows that employees who believed that change was not managed well in their agency were also more likely to perceive a lack of opportunity to leave, despite wanting to do so (18% of employees who indicated change was not managed well in their agency compared to 7% of employees who reported it was).

Figure 6.5. The relationship between employee perceptions of agency change management and intention to leave, 2014

Source: Employee census



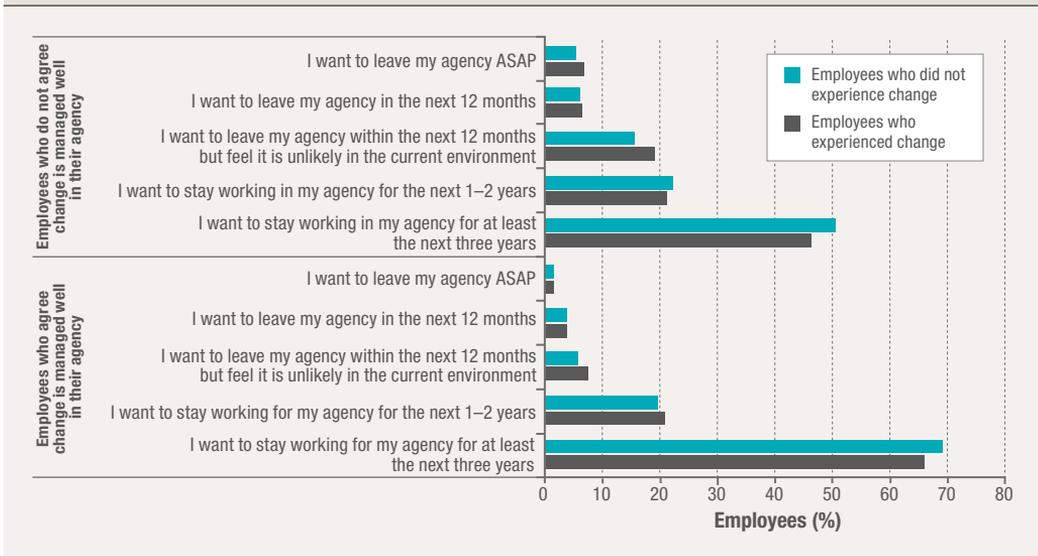
Similar to the results for employee engagement, employee perceptions of how well change is managed in their agency may also buffer (or moderate) the effect change has on employee career intentions. Figure 6.6 shows that when employees perceive change is managed well,

regardless of whether they have experienced a major change or not, they are more likely than those employees who do not agree their agency manages change well, to want to stay with their agency for at least the next three years. Conversely, employees who believe change is not managed well in their agency, regardless of whether they report having experienced change or not, are more likely to indicate they want to leave their agency in the short-term.

Figure 6.6 also shows that employees who reported they had experienced major change in the 12 months before the employee census and who also believed change was not managed well in their agency were the least likely to want to stay with their agency for three or more years and the most likely to report they wanted to leave within the next 12 months.

Figure 6.6. The relationship between employee perceptions of agency change management, the experience of change and intention to leave, 2014

Source: Employee census



Overall, while employee engagement has been trending positively across the APS, experiencing a major change in the workplace has a negative impact on employee engagement. Most importantly, perceptions of how well change is managed in an agency can have a substantial impact. If employees perceive change is managed well then it seems to provide a buffering effect such that the impact on employee engagement is reduced. If employees perceive that change is not managed well in their agency the effect is negative in terms of both its impact on employee engagement and also on employee career intentions.

Leadership and change management

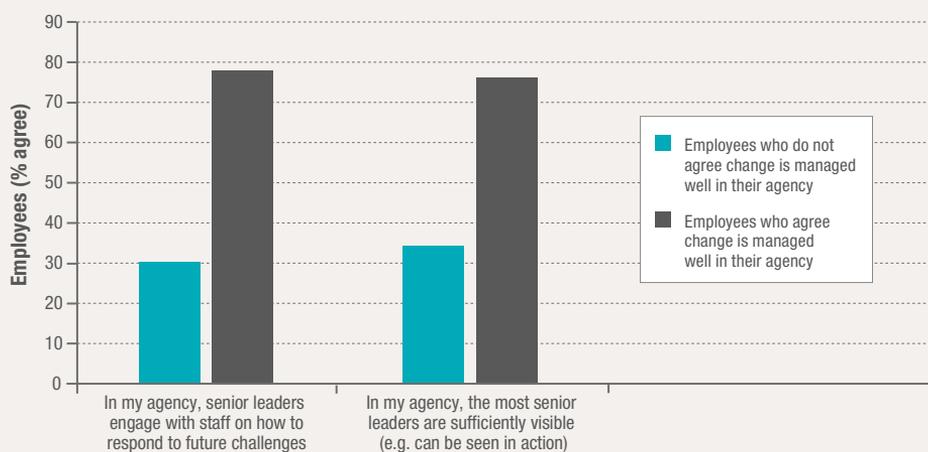
Research shows that leadership style can influence the success or otherwise of organisational change initiatives. Researched by the Australian Public Service Commission (the Commission) also indicates that the way in which senior leaders are seen to model and communicate the importance of change through their behaviour (for example, the way they encourage innovation and are open to learning and supporting others by aligning change to organisational outcomes) is positively related to perceptions of change management.⁸

Last year, the State of the Service report highlighted this research showing the extent to which senior leaders encourage innovation and creativity, demonstrate an ability to learn and adapt, are able to align organisational outcomes, give time to develop talent, are personally active in efforts to improve diversity, and encourage learning and development, may assist in creating an environment where employee perceptions of the effectiveness of change management are positive.

Figure 6.7 shows that two key senior leadership behaviours (previously shown to be positively related to employee engagement) are also positively related to employee perceptions of how well change is managed in their agency.

Figure 6.7. The relationship between employee perceptions of change management and satisfaction with senior leader behaviours, 2014

Source: Employee census

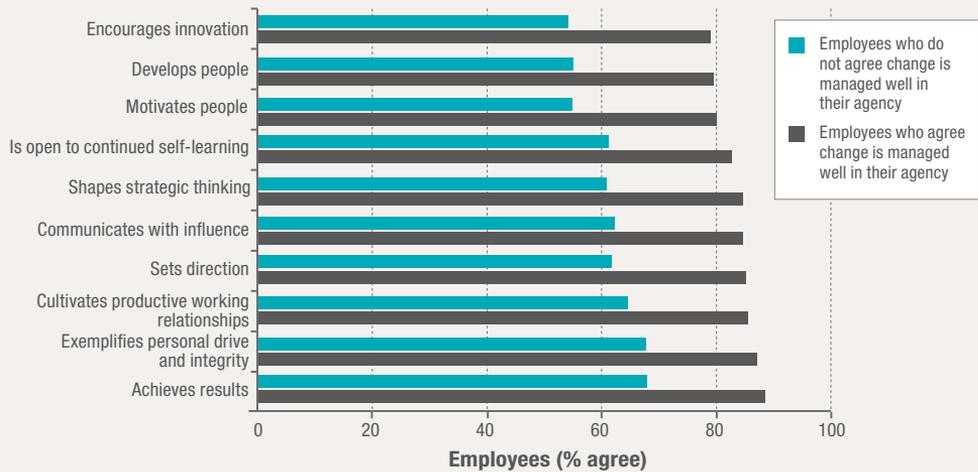


⁸ Schmidtchen, D & Cotton, T 2013, *There's many a slip 'twixt the cup and the lip: Leadership capabilities and change management in the Australian Public Service*, presented at the 2013 Australian and New Zealand Academy of Management Conference, December, Hobart. (Available on request.)

Figure 6.8 shows the same positive relationship between employee perceptions that change is managed well in their agencies and satisfaction with immediate supervisor behaviours.

Figure 6.8. The relationship between employee perceptions of change management and satisfaction with immediate supervisor behaviours, 2014

Source: Employee census



Improving change management capability in APS agencies

Building and sustaining the organisational capability required to manage continuous change is difficult. Less than one-quarter of agencies covered by the 2013 agency survey believed their agency change management capability was at the desired level. This result was largely unchanged from 2011 and suggests that APS agencies are aware they need to maintain focus on this capability.

It is evident from published Capability Reviews that agencies with stronger change management capabilities have a clear and coherent vision, plan for change and communicate the imperative and potential impact of reform initiatives. Additionally, having a leadership group committed to planning, executing and communicating change programmes is more likely to see improved levels of employee and stakeholder acceptance and success. As the Department of Agriculture case study shows, responding to the recommendations of a Capability Review have led some agencies to develop and implement comprehensive reform initiatives.

Department of Agriculture: Service Delivery Modernisation



The Department of Agriculture (Agriculture) provides advice and support to the Australian Government on matters involving agriculture, food, fisheries, forestry and related industries, while delivering programmes and services to meet government objectives and support clients and stakeholders in these sectors.

The 2013 Agriculture Capability Review highlighted the need for improvements to the department's service delivery and reported its service delivery operations as being behind APS best practice.

To address these issues, over the last 12 months and in accordance with findings from the Capability Review, the department embarked on an internally funded programme of modernising its service delivery and related workforce management arrangements.

The vision of the service delivery modernisation (SDM) programme is to modernise the department's service delivery infrastructure and arrangements to increase the convenience and cost effectiveness of service delivery and/or facilitate compliance with regulatory obligations.

The initial focus of the SDM programme was to define a future state for service delivery within the department by adopting an evidence-based approach to understand current service channels, services, client needs and expectations. Through this, the department has set an agenda for the SDM programme over the forward estimates period to streamline and improve business processes and client service through better use of organisational capabilities, modern service delivery arrangements and technology. The changes proposed will also deliver significant productivity improvements for the department.

Delivery of the SDM programme is progressing well and the department is already seeing some positive

results. Agriculture has already achieved, or is on track to achieve, these outcomes:

- enhanced channel choice—by delivering more services to external clients online, including the introduction of an online lodgement and processing system for importation documentation in September 2014
- reduced administrative burden—by better enabling mobile employees to perform more functions online, remotely and in real time through the deployment of mobile technology in 2014–15, the department has reduced paperwork, inefficiencies (such as secondary processing) and administrative processes
- compliance with accessibility requirements—by improving the department's website to meet whole-of-government accessibility requirements by December 2014
- improved channel management—by establishing contact centres and using a new telephony platform, modern call handling and workflow management capabilities
- improved resource management—by using modern call handling and workflow management capabilities to better utilise the workforce through national processing queues and related workforce management arrangements, which has also enabled national consistency of service and performance
- better jobs for our people—by designing services and service delivery arrangements that improve employee satisfaction, including those working in a contact-centre environment, through better cross skilling and work mix.

Agriculture will continue to progress the SDM agenda over the coming years to become a modern, flexible and responsive service delivery agency.

The 2014 agency survey asked agencies to identify the barriers to improving change management. While agencies identified a broad spectrum of barriers, two general themes provide insight into agency change-management experiences in 2013–14.

The first theme relates to the volume of change agencies were required to manage. For example, MoG changes that occurred during 2013–14 required agencies to implement organisational change programmes quickly. This had the potential to result in ineffective implementation practices. In response, some agencies put in place a ‘change management office’ that was responsible for implementing governance arrangements, de-conflicting initiatives, supporting executive decision-making and assuring change management outcomes.

Similarly, in response to the requirement for transformational change (as discussed previously in this chapter) within the agency, the ATO established an organisation-wide Change Network as a key engagement mechanism for employees to be involved in its significant change agenda. The ATO Change Network is made up of more than 750 self-nominated Change Agents from APS 1 to SES levels, 45 nominated Change Enablers at Executive Level 1 and 2 and a small group of Change Champions at SES level. Concurrently, the ATO is developing and will progressively roll out a suite of change management training and support materials. These range from targeted and intensive face-to-face training modules aimed at building specific manager capability in managing people, productivity and performance during change, to introductory level, self-paced e-learning products and self-help tools available to all employees. The ATO has further supported this work by embedding change management philosophy and principles into project methodology to ensure that the people side of change is considered in all projects.

Responses to the agency survey demonstrate that the complexity of change touched every aspect of the operation of some agencies. For example, the bringing together of APS employees from 10 agencies into the Department of the Prime Minister and Cabinet required not only short-term processes and operational changes but also long-term integration to address organisational cultures. The department established a dedicated change management team within its Indigenous Affairs Group to manage the restructure process and developed mechanisms to track, measure and report on progress. Specific change management and engagement work started in June 2014, to engage the SES leadership group in the change process and build employee capability to lead and adapt to change.

Similarly, responding to the volume of change led the Department of Social Services (DSS) to raise the need for APS agencies to develop and embed ‘change readiness’ as an organisational capability. Change management implies a return to stability at the completion of the ‘change’ but the experience of DSS illustrated that change is a constant feature of organisational practice. As a result, agencies might focus more productively on developing and embedding change readiness into day-to-day management processes.

The second theme related to lack of breadth and depth of skill in managing change. The majority of agencies (67%) reported that work was underway internally to improve change management capability. This was particularly evident in large agencies (87%) and less so in small agencies (52%), perhaps reflecting the broader functional nature and greater communication challenges inherent in larger agencies. Examples of activities underway include:

- The Australian Bureau of Statistics convened an SES Band 1 focus group on change management to address issues identified through the 2013 employee census. Recommendations from this focus group have been implemented, including centralising change communication and coordinated messaging about change.
- The Department of Foreign Affairs and Trade offered internal and external change management learning and development programmes to employees, including change management workshops and managerial development programmes such as strategic people management.
- The Department of Veterans' Affairs developed a Change Management Toolkit to assist managers to lead people through change. Additionally, an e-learning course 'Change in the Workplace' was made available to all employees as part of the department's e-learning suite. The information in this course complements tools and resources available through the Change Management Toolkit.

The development of employee skills and expertise was identified as a key barrier to improving agency change management capability. This requirement was identified at senior levels of the APS. The APS Core Skills Project has moved forward the development of training and development packages designed to assist employees and managers in dealing with, planning for and managing change. These training and development packages were made available in July 2014.

What does this tell us about the state of the service?

Change management is a key organisational capability, yet less than one-quarter of agencies covered by the 2013 agency survey believed their change management capability was at the desired level. Indeed, change management was rated the second lowest of the eight capabilities that agencies were asked to assess. A review of the published Capability Reviews confirms this finding.

Additionally, employee perceptions of change management capability in their agencies, while improving, indicates there is still work to be done. Results from the employee census suggest that employee perceptions of how well change is managed in their agencies may have a small buffering or moderating effect on the experience of change and its potentially negative impact on employee engagement and intention to leave.

Work is underway within agencies to improve their change management capability, with the majority of agencies reporting they took action in 2013–14 to improve this capability. Barriers identified by agencies to improving change management internally can be broadly categorised as relating to the volume of change in the past 12 months and difficulties in developing the skills and expertise of employees to manage change. Learning and development packages, such as those designed by the Core Skills Project, should go some way to addressing this need and represent a concrete step toward building change management capability in the APS.

