THE REFORM OF THE
AUSTRALIAN PUBLIC SERVICE:
COMMERCIALISATION AND
ITS IMPLICATIONS FOR PUBLIC
MANAGEMENT EDUCATION

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PLEASE NOTE

The greatest amount of care has been taken while scanning this thesis,

and the best possible result has been obtained.
IN ACCORDANCE WITH THE DEGREE RULES, AND WITH THE EXCEPTION OF THE ACKNOWLEDGEMENTS TO SOURCES QUOTED, THIS THESIS IS CLAIMED AS ORIGINAL.

NO MATERIAL CONTAINED WITHIN THIS THESIS HAS BEEN SUBMITTED TO ANY OTHER INSTITUTION FOR A HIGHER DEGREE

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John Dixon
For my wife, Tina, and my children, Piers and Aliki
“[Government agencies are] invested with awesome powers of compulsion - to tax, regulate, inspect, arrest - and attractive powers of reward - to subsidize, purchase, and protect. Typically they exercise these powers as monopolists, immune from competition. To make them accountable, we enshroud them in a maze of laws, regulations, and court rulings; to keep them responsive, we expose them to access by endless reporters, lawyers, committees, and investigators. The result, inevitably, is a culture of risk aversion that cannot readily be altered” James Q. Wilson (1994: 672).

“Bureaucrats are portrayed as fear-ridden yet arrogant, as milquetoasts yet Machiavellians. Bureaucracy is rigid and at the same time expansionist.” Charles T. Goodsell, (quoted in Adams, 1984: 7).

“We should be moving in the direction of giving the Secretaries a budget, a set of objectives and performance indicators, and asking them to get on with the job, working closely with the Minister and reporting as required to the Parliament.” (The Department of Foreign Affairs and Trade, quoted in Australia, MAB-MIAC Task Force on Management Improvement, 1993: 221).


“The efficient performance of administrative work calls in all cases for a trained mental equipment of a high order . . . In some cases what is most wanted is judgment, savoir faire, insight and fair mindedness; in others an intellectual equipment capable of the ready mastery of complex problems in taxation or other economic subjects; in others, imagination and constructive abilities.” Tomlin Committee on the UK Civil Service, 1929-1931 (quoted in Parker, 1942: 234).

“To be fond of learning is to be akin to wisdom . . . He who knows . . . how to cultivate his own character, he knows how to govern other men. Knowing how to govern other men, he knows how to govern the empire with its States.” Confucius (quoted in Lai et al., 1988: 60)

“Learn what you can, then learn how to leave your learning behind you for it can hide you from the ceaseless change in and around you.” James P. Carse (1994: 30)
This study began twelve years ago. My interest in Australian Public Service (APS) reform was initially stimulated by strictly commercial concerns, for as the Academic Director the Management and Policy (MAPS) Studies Centre (1983-1991) at the Canberra College of Advanced Education (subsequently becoming the University of Canberra), I was a purveyor of public management development and related services to the APS. I thus needed to understand the changing APS management and organisational needs. My interest in adult learning emerged in the mid-1980s as the result of me producing inadequate learning outcomes (and much personal criticism, deservedly so, from my Director of Studies at the MAPS Centre, Mr Garth Harding) because I insisted on using pedagogical techniques to teach adults. My interest in commercialisation was stimulated in the late 1980s by my acquaintanceship with Mr Colin McAlister (then a Deputy Secretary of the Department of Administrative Services), who had, from time-to-time made presentations at MAPS Centre courses. My interest in post-experience public management education is a product, once again, of strictly commercial considerations. When I was the Managing Director of the short-lived and ill-fated Monash University subsidiary company, the David Syme Management Education Centre Pty Ltd (1991) we attempted to commercialise a Monash post-graduate management education program on a franchise basis. Thus for nine years my concerns were largely commercial and my learning process was highly experiential. Then came an hiatus that gave me time to reflect upon my experience. With reflection came introspection and Hong Kong. The outcome is what follows.
My intellectual debts are enormous. From Professor James Cutt (formerly in Administrative Studies Program at the Australian National University in Canberra (1972-1977) now at the University of Victoria in British Columbia) I received an introduction to program budgeting and evaluation and their application to the improvement of the public sector. From Professor Roger Wettenhall (long-time Head of the School of Administrative Studies at the Canberra College of Advanced Education) I began to understand what the machinery of government was all about. Dr Geoffrey Hawker (my predecessor at the MAPS Centre) introduced me to policy studies. Professor Alexander Kouzmin (formerly, Principal Lecturer in Administration at the Canberra College of Advanced Education, now foundation Professor and Head of the Department of Management and Administration at the University of Western Sydney, Nepean) introduced me to some of the nuances of organisational theory. Professor Geoffrey Brennan (Australian National University) introduced me, long ago, to neo-institutional economics, when it was a fringe dweller in the economics discipline. My exposure to Professor Beryl Raddin (State University of New York, Albany), Professor Rainer Koch (Faculty of Economics and Social Sciences at the University of the Federal Armed Forces in Hamburg) and Professor James Wilson (retired from the Hartford University in Connecticut), at various times, all gave me valuable insights into administrative reform and the processes involved. From my interactions with Professor David Weimer (Rochester University) and Dr David Newman (Lingnan College) have come my insights into rational choice.

My personal debts are even more burdensome. I owe a great deal to Professors Alexander Kouzmin and James Wilson, both of whom made my introspective hiatus in the early 1990s a useful and rewarding experience. I
also value the practical support received from my long-standing-but-not-so-old friend and colleague, Mr Arthur Hoyle.

Without doubt, however, my biggest debt is to my wife, Tina, whose long suffering must almost be in the realms of legendary.
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(8) "Managing the Social Services". An address to the *International Institute of Administrative Science's Roundtable on "Managing the Social Services", Copenhagen, Denmark, July 1991.


(5) "A Review of Recent Australian Public Administration Reforms". A paper presented at a Staff Colloquium, Management Development Institute, Gurgaon, India, November 1987.

(4) "The Commercialisation of the Australian Public Sector". A paper presented at a Staff Colloquium, Institute of Applied Manpower Research, New Delhi, India, November 1987.


SUMMARY

Australia has been engaged in a comprehensive process of federal public service reform for more than 20 years. It began in the 1970s, when the long undisturbed Australian Public Service (APS) was confronted with a major review process and with a set of administrative law reforms. This was followed in the 1980s by the introduction of a set of ambitious administrative reforms, which drew strength from similar developments occurring overseas, notably in Britain, the United States, New Zealand and Canada. This created the setting for the commercialisation of the APS that began in the late 1980s, which itself created a further set of organisational and management imperatives for the APS.

The articulation of the desired APS management competencies became a pressing priority for the APS in the early 1990s, in order to consolidate the administrative and commercialisation reforms. A broad consensus emerged within the APS about the competencies that its managers need to perform their duties adequately.

The next challenge to be faced was to determine how best to inculcate these desired APS management competencies. Post-experience public management education emerged as one strategy. This placed pressure on purveyors of public management education to confront significant issues of ideology, epistemology and andragogy in order to balance successfully the management development needs of APS agencies, the needs of post-experience learners and their own need for intellectual rigour and integrity.

The overall conclusion drawn is that the while the administrative and commercialisation reforms have moved the APS some way towards
attaining the distinctive characteristics that well-performing public agencies should have, they have also created a wide variety of challenges and threats that have yet to be addressed adequately:

- at the service delivery unit level, they are those associated with the inculcation of a performance oriented or commercial culture and with the use of business practices and management techniques;

- at the agency level, they are those associated with organisational culture change, differentiation and even conflict, and with any required changes to structure, procedures and accountability;

- at the central agency level, they are those associated with coordination, control and accountability; and

- at the politico-administrative system level, they are those associated with ministerial, organisational and management accountability, ethics and values, and the career service.

Within an organisational and politico-administrative environment that leaves APS managers vulnerable, especially those in APS "quasi-businesses", because traditional public administration concerns have yet to be adequately addressed, they are expected to improve service delivery productivity, so as to reduce costs, while at the same time to enhance service quality. This management task requires them to confront a variety of threats and challenges, which purveyors of public management education must help them address if they are to meet their idiosyncratic
learning needs. This requires the adoption of a learner-based, problem-centred approach to learning for, rather than about, public management.
1. INTRODUCTION

Australia has for more than 20 years been engaged in one of the most comprehensive and potentially significant managerialist reforms at the national level conducted in the twentieth century (but see Sherwood, 1992). These administrative and commercialisation reforms, which have demonstrably enhanced the performance and accountability of the Australian Public Service (APS), have, however, also produced, as a by-product, a variety of paradoxes, with concomitant dilemmas, anomalies, contradictions, confusions and uncertainties, that have left APS managers, especially those with commercial responsibilities, vulnerable, in large part because traditional public administration concerns (such as accountability, natural justice and career service) have not been adequately addressed. Learning how to managing efficiently and effectively in such an environment requires the inculcation of philosophies and paradigms that help them not only grapple with their own behaviour change but also to cope with ambiguity, complexity and indeterminacy. APS managers thus require a management development regime that not only imparts the necessary skills and knowledge required for them to practice the desired management behaviours, but also prepares them for the necessary personal behaviour change process, by facilitating their exploration of how they can become more performance oriented and whether, to what extent and how they might apply private sector management practices. Yet, traditionally, the APS has not expected its managers to model themselves on conspicuous examples of successful private sector managers, which means that the transference of learnt behaviours and attitudes is crucially dependant upon their organisations being willing and able to facilitate that
workplace transfer. In essence, then, the central requirement for cost-effective public management development has become the adoption of a learning process which imparts quantifiable competency-enhancing skills and knowledge that can be transferred to the workplace in order to facilitate the achievement of quantifiable management behaviour change. The challenge of designing such a learning process can be met by the adoption of a learner-based, problem-centred approach to learning for, rather than about, public management. This places pressure on purveyors of public management education to confront significant issues of ideology, epistemology and andragogy in order to balance successfully the management development needs of APS agencies, the needs of post-experience learners and their own need for intellectual rigour and integrity.

The objectives of this management-oriented study of the managerialist reform of the APS are threefold. The first objective is to describe, contextualise and judge the managerialist reforms introduced since the mid 1970s. The second objective is to explore the management and organisational issues confronting APS commercial managers operating the management, organisational and politico-administrative environments moulded by these reforms, which requires drawing eclectically upon paradigms from management, public administration, psychology, education, economics, accounting and politics. The final objective is to examine the implications of that set of issues for public management development and post-experience public management education. The structure of this thesis flows from these objectives.

Chapter 1 to 3 describe and contextualise the managerialist reforms. Chapter 1 describes the contemporary Commonwealth public sector; critically reviews the dominant ideology of economic rationalism that underpins the reforms initiated since the early 1980s; and conceptualises
"commercialisation", thereby differentiating it from "corporatisation" and "privatisation", which, together, define a process of divestiture. Chapters 2 describes the 1970s backdrop to APS reforms of the 1980s: the shifting social values that changed Australian's expectations of government; the findings and outcomes of the Coombs Royal Commission on Australian Government Administration; and the introduction of a set of administrative law reforms, all of which contributed to the administrative milieu within which commercialisation and other managerialist reforms were posited and implemented the following decade. Chapter 3 details the socio-economic milieu of the 1980s that set the APS reform context; describes in some detail the financial, human resource and structural reforms that were introduced; and explores the managerialist-inspired shift from an allegiance to the bureaucratic (hierarchy and control) paradigm to an acceptance of a post-bureaucratic (innovation and support) paradigm, along with its implications for organisational and management performance, performance measurement, management accountability and management practice.

Chapters 4 and 5 explores the managerial, organisational and politico-administrative issues generated by the commercialisation reforms of the late 1980s, within the managerialist reform milieu defined in Chapters 2 and 3. Chapter 4 analyses the mechanisms used to commercialise the APS from the late 1980s; describes the nature and extent of that commercialisation; and articulates the emerging policy agenda. The organisational and management environments within which APS commercial managers are required to manage in the 1990s are analysed prescriptively in Chapter 5 in terms of a quasi-business development process that embraces an organisational development process. It concludes that effective commercialisation requires management development
strategies that enhance managers' commitment to re-aligning personal and organisational goals and that develop their capacity to make the necessary personal, cultural, structural and procedural changes.

In Chapters 6 and 7 the implications of the post-reform management, organisational and politico-administrative environments for public management development and post-experience public management education are analysed. Chapter 6 examines APS management development practices in the context of the need to change management attitudes and behaviour, so as to facilitate the effective implementation of the set of managerialist-commercialisation reforms, all of which have contributed to the creation of a paradoxical APS management environment. This sets the context for Chapter 7, which examines the twin learning issues that underpin public management education: curriculum content and design; and learning process design.

The final chapter is bifurcated, concluding as it does both on the results of the managerialist reforms and on the challenges and threats confronting post-experience public management education that seeks to educate APS managers, who are confronting the challenge of increasing service delivery efficiency and effectiveness, through the use of more strategic approaches management, in an administrative and financial systems environment that is both less centralised and less control-oriented, especially in the context of commercial units.
The Commonwealth Public Sector

With federation in 1901 came the need to establish of a Commonwealth public service, the only ready-made source of experienced manpower for which were the former colonial public services, which can be traced back to the early days of colonial settlement (Scott & Dixon, 1991; also Caiden, 1967 & 1990; Parker, 1942 & 1990; Spann, 1973). These colonial public services naturally followed closely contemporary British practices, with senior officials typically affiliating themselves to the British "public officer" tradition (Parris, 1969: 93-100). and to the reform movement occurring in Britain (see, for example, Hawker, 1967; McMartin, 1983 & 1987; Victoria, Board of Enquiry, 1856; Wettenhall, 1973).

Davies (1964: 4-5) observed many years ago that Australia has a characteristic "talent for exercised on a massive scale" (but see Curnow & Manning, 1975: 4-10). The public servant has always had a prominent place in Australian society, which has long preferred to trust the appointed official rather than the elected politician. The twentieth century has thus seen the evolution of a wide and constructive diversity in approaches to public administration in Australia (Kouzmin & Scott, 1990; Spann, 1973); all being derivatives of the Westminster politico-administrative model, operating within a constitutional monarchy, embodying the British cabinet system, superimposed upon a federal governmental structure, designed under the influence of the United States model (Parker 1993). Public services in Australia have traditionally exhibited the following essential elements common to a bureaucracy, as articulated by Hall (1982), drawing upon Weber (1947):

- a well-defined hierarchy of authority;
- a division of labour based on a functional specialisation;
• a system of rules covering the rights (authorities) and duties (responsibilities) of positional incumbents;

• a system of procedures for dealing with work situations;

• impersonality of interpersonal relationships; and

• selection for employment and promotion based on technical competence.

Australia also pioneered the development of state enterprises (Caiden 1967; Spann, 1973).

The structure of Commonwealth public sector is complex, the product of the Commonwealth government’s marked extension of its powers over the last four decades. It includes budget-funded organisations (comprising ministerial departments and agencies, which employ staff under the Public Service Act, 1922 (the APS), and other non-statutory bodies (such as Royal Commissions of Inquiry, Commonwealth-State consultative bodies and bodies established as integral parts of the labour market programs administered jointly by the Commonwealth and the States)); self-funded Government Business Enterprises (GBEs) (comprising statutory authorities and government-owned limited liability companies); and multi-source-funded organisations (comprising the statutory marketing authorities) (Australia, Budget, 1991a: 7.2, 7.3 & 7.19; Australia, MAB-MIAC Task Force on Management Improvement, 1992a: Appendix D; Australia, Parliament, 1992a, Appendix F & 1988; Australia, PSC, 1989b: 119-121; Wettenhall, 1975). The APS in mid-1992 employed some 122,000 staff, of whom some 1,500 were executive managers and a further 17,000 were middle managers (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 10). Most public servants were employed in metropolitan areas (84.6
percent), most notably Canberra (27.7 percent), by program delivery agencies or administrative bodies (89.5 percent) (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 10).

The Commonwealth public sector has long been delivering goods and services to the Australian community, increasingly on a commercial or quasi-commercial basis. Contrary to conservative opinion, however, government has not functioned to the detriment of the private sector (Simms, 1983: 49). Australia is, after all, a mixed economy where the public and private sectors both cater for the needs of the community. Indeed, the public and private sectors have their respective positions in particular markets defined by government from time-to-time. Sometimes they are competitors (such as in the domestic airline industry). Sometimes the public sector fills the gaps in the market that are unprofitable for the private sector (for example, the free-to-air public radio and television, and legal-aid services). Sometimes the public sector is given a monopoly by regulation (for example, the primary product statutory marketing authorities). Over the years the frontier between the two sectors has become blurred, even where a clear distinction can be made on the basis of ownership, because sectoral interaction has created networks of mutual dependence, and has often changed, as Wettenhall (1983: 14) observes: “... depending on balances of ideological and pragmatic considerations.”

A new dimension to public-private sector frontier emerged in the late 1980s, under the influence of “economic rationalism,” namely, the commercialisation of some government services delivered by APS agencies.
Economic Rationalism: The Rationale for the Commercialisation and Managerialist Reform of the Australian Public Service

From the early 1980s the Hawke Labor Government sought to reform radically the APS, and, under the influence of economists, the dominant professional group in APS executive management (Petridis, 1981), adopted "economic rationalism" as its rationale and "managerialism", "commercialisation", "deregulation", "corporatisation" and "privatisation" as its key reform strategies (Blandy, 1992; Emy & Stone, 1991; Humberger, 1991; Mascarenhas, 1990a & 1990b; McInnes, 1990; Pusey, 1988 & 1991: 64-67; Thompson, 1990a; Whitwell, 1990). By so doing Australia followed, albeit somewhat idiosyncratically, the path of public sector reform first articulated, under the influence a rapacious private sector in search of new opportunities, by Prime Minister Margaret Thatcher in Britain and President Ronald Reagan in the United States and repeated, in various shades, in Canada, New Zealand and elsewhere (Caiden, 1991a & 1991c; Considine, 1990b; Gregory, 1991; Mascarenhas, 1990b & 1993; Pollitt, 1990a; Rehfuss, 1991; Schwartz, 1994; Sherwood, 1992).

"Economic rationalism" embraces the philosophical position that truth and knowledge are attainable through a priori reasoning (positivism) rather than thorough experience (empiricism) (Aune, 1970), and postulates a world-view premised on the reductionist principles of neo-classical economics, with its focus on scarcity and its concern for efficiency, the elegant cornerstone of which is Pareto optimality:

The Pareto optimum is usually described as a production or an exchange situation, or some combination, where no further improvement can be made to the position of one participant
without harming that of another, and the movements towards it are termed 'efficient' (McKee, 1980: 366).

The Pareto-efficiency principle or criterion is thus that a society's welfare will be enhanced if, at any time, an individual can be made better off without reducing the well-being of another individual. (A somewhat weaker form of this principle is the potential Pareto principle (Hicks, 1939), which allows a redistribution that increase net welfare when, in Mishan's words (1973: 14), "... gainers can (through costless transfers) fully compensate all the losers and remain themselves better off than before"). Subsumed under Pareto optimality are conceptualisations of "productive" or "technical" efficiency (that is, configurations of resource utilisation patterns that maximise production) and of "exchange" efficiency (that is, configurations of consumption patterns that maximise utility or satisfaction), which, together, determine an array of Pareto optimal resource-consumption configurations ("economic" efficiency). From this Pareto optimality paradigm, which conforms to the requirements that a paradigm be both a "universally recognised" line of scientific thought, evidenced by its inclusion in standard textbooks (Kuhn, 1970: viii, 1, 10 & 43), and "an article of faith, rejected only when it loses its potency following the occurrence of a quasi-religious conversion experience" (Georgiou, 1973: 291-2), the following inferences can be drawn:

- that a society's welfare is conceptualised as the aggregation of its members' welfare, but only in terms of economic welfare or well-being (measured by the monetary value of goods and services produced and exchanged) and how this conceptualisation is, or should be, integrated into broader social welfare paradigms is not considered by economists to
be a question for economics as a positive (as distinct from a normative) form of inquiry (Blaug, 1993);

- that, in the Hobbesian tradition, human nature conforms to the precepts of "predominant egoism", wherby, according to Kavka (1986: 64) "self interest motives tend to take precedence over non-self-interest motives in determining human actions" and that the pursuit of self-interest, through the satisfying of wants, is to the good of society (see, for example, Buchanan, 1975: 36; Margolis, 1982; but also Olson, 1971: 2; Quiggin, 1987), because individuals are the best judge of their own well-being, allowing for the need to compensate those who suffer a loss of well-being as a by-product of that self-interest, or to seek payment from those who also gain well-being as a by-product of that self interest (the so-called "free riders") (Hollis & Nell, 1975: 5);

- that individuals are rational, being desirous, calculating, consistent and self-interested, and thus have a known and consistently ordered set of preferences (constituting, respectively, the closure and transivity axioms of decision theory) that allows them to allocate their scarce resources to maximise their well-being ("utility") (Hogarth & Reder, 1987: 1-3), on the basis that it is rational for an individual to prefer more to less (Rawls, 1971: ch. VII), by deducing a choice that will produce the best (optimal) outcome for them, given that they have complete and certain knowledge of, and the ability to compute, the consequences of alternative diverse and heterogeneous courses of action; and
that society is seen as a collection of individuals, the net welfare of whom is increased if any increase some individuals' economic well-being is greater than any losses in economic well-being experienced by other individuals, irrespective of the distributional impact or equity considerations (Wise, 1990), either block equity (equity amongst inter-population segments) or segmented equity (equity within an intra-population segment) (Blanchard, 1986), which is not a question for economics as a positive form of inquiry, unless that loss of well-being experienced by the losers, itself, impacts on the well-being of the gainers (Hochman & Rodgers, 1969).

Neo-classical economists have argued, somewhat arrogantly, that the Parato optimality is an unexceptionable ethical proposition because, in the words of Buchanan (1959: 125) "... it is one which requires a minimum of premises and one that should command wide assent."

Pareto optimality is grounded on the epistemological tenets of neo-positivism and scientific naturalism, the heirs of logical-positivism (Alexander, 1982; Halfpenny, 1982). It promises that technically sophisticated, apolitical, value-neutral "engineers" use value-free criteria and methods to find ideal solutions to socio-economic and political problems. Its underlying assumptions are:

- that the scientific method is applicable to both the natural and social sciences;

- that social phenomenon can be explained by hypothetically proposed general laws;
• that the relation of theory to practice is primarily technical (means-ends); and

• that only scientific knowledge is testable.

Reductionist (Pratt, 1978, ch.13) neo-classical economics is intellectually satisfying and analytically elegant (Seligman, 1971) because it uses logicality, a narrow concept of rationality (Wisman, 1987: 90), to deductively explore of the logic of maximisation:

• by presuming the quantification of empirically unmeasurable concepts, so as to achieve definitiveness, preciseness and rigour;

• by adopting a priori premises and invoking ceteris paribus clauses, so as to permit conclusions to be drawn (Russell, 1967: 46-51);

• by accepting the dubious, if not specious, fact-value dichotomy (Rein, 1976; also Amy, 1984) and thus the objectification of reality (Berger & Luckman, 1967); and

• by being unwilling to discourse on value-assumptions (Bernstein, 1978; Rothschild, 1993); and by depending on “economic man” (with his “perfect rationality”) as the appropriate ideal-type (Tisdell, 1987: 44; but see also Leibenstein, 1976), ipso facto denying the models of “normative man” (Parsons, 1951), “political man” (Lipset, 1959), “emotional man” (Flam, 1990a & 1990b) even Simon’s (1957: 186) “administrative man”, with his “bounded rationality” (Simon, 1957, 1976 & 1982; also Bartlett, 1988; Williamson 1985).
Neo-classical economics is notorious for using what are little more than metaphysical concepts devoid of operational content, such as "utility", which according Bentham ([1789] 1970) is provided when human experiences produce "benefit, advantage, pleasure good and happiness" or prevents "mischief, pain, evil or unhappiness". In these circumstances, empirical testing of neo-classical economic theory, with it is syllogistic arguments, is problematic (Eusepi, 1987; Polanyi, 1957; Robinson, 1977; Wisman, 1978), for it can always be argued that "the ceteris was not paribus," and cannot be depended upon "to distinguish economic truth from economic falsehood..." (Wisman, 1980: 137-8; also 1987: 96). As Guitton has noted (1987: 33) economists are "engaged chiefly in improving the rationality [logicality] of their theory much more than knowing whether these theories conform to the reality of the present world". They would deny the appropriateness to neo-classical economics of Kahn's (1974: 489) proposition that "the mill of science grinds only when hypotheses and data are in continuous and abrasive contact." Neo-classical economics cannot be considered to have the attributes of scientific "elegance", as that term is defined in the context of the philosophy of science, which requires that

... not only should theories be capable of serving as the basis of accurate prediction, but they should also be important, parsimonious and comprehensive (Kellow, 1988: 713-14; also Goodin, 1976: 6-7).

Moreover, neo-classical economic theory does not describe the actual behaviour of those it studies; rather it postits rational choice - choices made by individuals with stable preferences who act rationally to maximise their welfare - as a "method of analysis" (Becker, 1993: 385-6) subsumed under "methodological individualism" (Arrow, 1994: 1). Posner (1981: 1) explains:
the economist's basic tool for studying markets . . . is the assumption that people are rational maximizers of their satisfaction. The principles of economics are deduced from this assumption.

Indeed, Becker (1993: 402) asserts that in explaining behaviour " . . . no approach of comparable generality has yet been developed that offers serious competition to rational choice theory." Neo-classical economics uses this behavioural premise to describe the behaviour of individuals in a group (Becker, 1993: 386 & 402), acknowledging that the group may, itself, influence individual decision making through utility-function interdependence. This means that a group achieves ipso facto an optimal outcome when it reaches a "crisis agreement" (Taras, 1991), perhaps as a consequence of the group having a norm of "no criticism" or "no conflict", or having a high level of cohesiveness, or because of the group leadership style or the lack of member vigilance, even though it would seem to an outside observer that the agreement is contrary to the self-interest of some or even all of the group members. Neo-classical economists, ever conscious of their need to be objective, derive their world-views by imposing their models of rationality on the world they seek to explain and improve on the premise that the behaviour of the economic world can be simulated by deductive reasoning. It is extraordinarily difficult to prove that the theory is correct. Economists in general have shown a surprising lack of insight into the way they approach economic phenomena by assuming that deductive reasoning is the only appropriate approach (Baird, 1992; Carney & Scheer, 1980; Copi & Cohen, 1994; Giere, 1984; Popper, 1972). As Torgerson (1986: 40) observes:
It becomes apparent that the narrow, positivist conception of reason has fostered an intellectual style which is insensitive to its own nature and context - which is, in a word, irrational.

Deane expresses the view, somewhat cynically, that,

. . economists study complex economic systems by constructing drastically simplified models of economic behaviour, based on incompletely verified time and space evidence, in order to derive partially intuitive judgments about the past and future consequences of changes in the social and political context of economic activity (cited in Fitzgerald, 1990: 24).

In essence, neo-classical economics is preoccupied with determining allocatively efficient means for arriving at exogenously determines goals, involving what has be described as the "instrumentality (means-ends) mode of rationality" (Habermas, 1968 & 1971; Tribe, 1972 & 1973; Wisman, 1980: 145 & 1987), within an economic system conceptualised as being independent of, rather than integrated into, the total social fabric (for a critical perspective see Krabbe, 1987), preferring to exile the issue of what those goals should be (and how they might best be changes) to the domain of the unscientific. This is done on the ground that goals involve values, which, by their very nature are non-cognitive and thus not susceptible to empirical or rational testing, hence they involve, in Friedman's (1953: 5) words, "... differences about which men can only ultimately fight." Values are thus considered by economists to be beyond the scope of economics to address (Coates, 1964; Meyer, 1975; Robinson, 1977). Claims to value-neutrality are supported by the assumption that behaviour reveals preferences, disregarding the fact that individual preferences reflect a society's values, culture and power structure. Illustratively, the
presumptions behind "consumer sovereignty" reflect the value system inherent under mature capitalism (Etzioni, 1991: 77). Indeed, the neoclassical economist conforms to the Strauch’s (1976: 134) perceptions of a quantitative analysts, who:

... takes no personal responsibility for his conclusions, since they are not of his making but are inherent in the nature of things. All he has done is uncover them and made them visible for all to see. ... In the sense that he is perceived as not personally involved with his conclusions, he is like the natural scientist, or perhaps the priest who serves only as a conduit to the gods. He disdains the ‘merely qualitative’ and often speaks pejoratively of ‘subjective judgment’.

The predisposition of economic rationalism for instrumental (technical or means-ends) rationality, with its notions of value neutrality (Rothschild, 1993), sits comfortably with the "rational behaviour" assumption that underpins much of public policy, with its need for "verifiable" knowledge capable of demonstrating, after alternative courses of action have been systematically examined and weighed, the most "efficient" means of pursuing socio-economic goals, and its preference for passing value judgments back to policy-makers (Brennan & Walsh, 1990). On this predisposition Dryzek (1990: 5-6) critically lists his damnation:

- Instrumental rationality destroys the more congenial, spontaneous, egalitarian, and intrinsically meaningful aspects of human association.

- Instrumental rationality - and the political institutions in which it is manifested - is ineffective when confronted with complex social problems.
Instrumental rationality makes effective and appropriate policy analysis impossible.

And Wisman (1980: 145) observes:

... orthodox economic science treats humans as objects and provides legitimation for the control and manipulation of the social order. By reducing all economic questions to technical or engineering problems, economists buttress a "cult of the expert" in which values are increasingly seen not only as irrational, but irrelevant as well. Accordingly, society's economic problems are viewed, not as political (and therefore social), but as technical. The implicit prescription is for rendering more authority to the technocrats, less to politicians. In this manner, economists become mere social engineers, the handmaidens of whatever powers might be [also Benveniste 1973; Wisman, 1979; Zinke, 1987].

Thus, as Fay (1975: 50) concludes, "efficiency becomes the criterion by virtue of which the merits of various political measures will be assessed". Nelson (1977: 43-4) goes further and suggests that by stressing their "efficiency" arguments, economists "... have been able to take over the discussion on how decisions should be made... The consequence has been a partial co-optation of the normative structure of public administration by economists" (for a critical perspective see Jay, 1989; Thomas, 1984; Wilinski & Goodin, 1986; Zorn, 1989). In so doing, neo-classical economists seek to remove, at least in part, public decision-making from the inefficiencies of a tumultuous, even anarchical, and certainly imperfect, polity to the domain of putatively scientific, dispassionate inquiry, which would see a withering
of those ideological differences that cause policy disagreements and political conflicts. According to Stokey and Zeckhauser (1978: 261):

Policy disagreement would lessen - and perhaps vanish - if we could predict with certainty the safety consequences of the breeder reactor, or the the cost of annual upkeep of clay [tennis] courts, or whether a special shuttle bus for the elderly would be heavily used.

Denhardt (1981: 631 & 633) has drawn the conclusion that such policy analysts typically apply technical rules to the solution of immediate problems. Under such circumstances, technical concerns would displace political and ethical concerns as the basis for public decision making, thereby transforming normative issues into technical problems. . . . What is most troubling . . . is the possibility that only those policies will be entertained which are amenable to solution through the standard techniques of positivist social science. . . . The result is a new consciousness in which the world is viewed in terms of technique [also Barrett, 1979; Tribe, 1972].

Neo-classical economics draws upon the Benthamite view (Bentham, [1789] 1970) that society is a collection of individual actors each trying to pursue their own self-interest in the most efficient way under any given circumstances. Each rational actor is characterised by an endowment of resources, a set of possible actions that modify this endowment, and a set of preference relations between different resource endowments that can be captured by a utility function. The presumption of neo-classical economics is that economic, social and political reality can be reduced to the interaction of rational actors (see for example, Rowley 1993a & 1993b; for a
critique see Granovetter, 1992; Hollis & Sen, 1982; Sugden, 1993). Nowhere is this more clearly demonstrated than in the fiction of the market place as the idealised economic model (in a simplifying-reductionist, rather than a moral, sense), giving rise to Adam Smith’s “invisible hand”. This is, of course, at the ideological heart of economic rationalism. The market place is considered to be an efficient and impersonal distributor of a society’s resources, despite the reality of market failure (most notably caused by the existence of imperfect competition, public goods and externalities) because of:

- the inherent imperfections of democracy (for neo-classical economists have long been able to demonstrate, in theory, that it is impossible for any fair collective choice (constitutional choice) process (voting rule) to enable rational social choices to be made on the basis of a consistently provided set of appropriately ordered individual utility preferences that would resolve any interpersonal differences (Arrow, 1963 & 1976); and


Neo-classical economics has acquired the classical Benthamite distaste for the public sector (Bentham [1789] 1970). It is constantly under suspicion of being inefficient, wasteful, and thus not giving value for money, because the absence of any automatic disciplining mechanism permits rent-seeking behaviour (Tullock & Eller, 1994) by bureaucrats, their clients and the politicians who govern them, perhaps even with a Machiavellian flair (Gilman et al., 1993; also Terrell, 1993). This presumption of the supremacy
of the market-place is based on an adherence to the values of individualistic utilitarianism (Bromely, 1990; also Frey 1984), which has been under extensive attack in the field of moral philosophy (Gorovitz, 1977; Smart & Williams 1973) because of, among other things, its lack of a moral dimension (Blaug, 1993), because it defines a "good action" only in terms of the way it makes its perpetrator feel, hence its inability to distinguish amongst competing values and preferences (thus placing preferences for honesty on a par with a taste for peanut butter (MacPherson, 1984: 243)).

Since the behavioural presumption of neo-classical economics is that the rational actor on the economic, social or political stage is "...a maximizer of some value and who acts to obtain it in a purposeful and non-randomized manner" (Doran 1992: 359; also Hogarth & Reder, 1987; Simon, 1982), he or she will always be self-serving, even deceitful and dishonest, whenever he or she has the incentive and opportunity to do so, which means that altruism, like heroism, is re-cast as a complex expressions of self-interest (Margolis, 1982; also Hirshleifer, 1977; and, for an application, Rotemberg 1994). This presumption is a fundamental tenet of the neo-institutional economics (in contradistinction to the new institutional economics with its acceptance of bounded rationality), which defines an organisation as "...a stable collection of interrelated incentives and rules" (Weimer, 1992b: 375; also Dunsire, 1988), and postulates a theoretical framework for institutional design in terms of contracting between parties, the governance of such contracting, and the conferring of property rights (Arrow, 1985).

The epistemological roots of the neo-institutional economics lie in transaction-cost theory, which explores the problem of market transactions not being costless (Coase, 1937; De Alessi, 1983; Telser 1980; Williamson,
1971, 1975 &1985)) and in agency theory, which explores the principle-agent problem within an organisation (Alchian & Demsetz, 1972; Harris & Raviv, 1978; Holmstrom, 1979; Holmstrom & Tirole, 1989; Jensen & Meckling, 1976; Ross, 1973; Sappington, 1991; Shavell, 1979). Transaction-cost theory sees an organisation as an information-gathering and information-processing mechanism created to obviate the need to re-negotiate continually market-transaction contracts that are unavoidably incomplete due to environmental uncertainty (Williamson, 1985; for an application to the public sector see Bryson & Ring, 1990; Heckathorn & Maser, 1987; Maser, 1986). Agency theory sees an organisation as a governance mechanism over-sighting the hierarchical contractual relationship between the "principal" (such as an owner or, in the public sector, a politician (or even multiple principals who may have conflicting and unstable political demands (Moe 1984)), who is the risk-taker in an environment with exogenous uncertainty (Fama, 1980; Fama & Jensen, 1983a & 1983b; Jensen & Meckling, 1976), and who delegates decision-making discretion to an "agent" (such as a manager), who controls access to information, creating the potential for organisationally inefficient information asymmetry, which arises when some members of an organisation have information they can withhold from others (Vining & Weimer, 1988), which is especially significant for public sector organisations where the non-transferability of ownership discourages specialisation in their ownership by the principal (a politician), resulting in less effective monitoring of their management (De Alessi 1983; Lott, 1987). Emerging from these conceptualisations of an organisation is a concern about "opportunism" in public administration (that is, self-serving (rent-seeking), even deceitful and dishonest, behaviour by bureaucrats, their clients and politicians) created either because environmental uncertainty makes contracts incomplete, or because "principals" cannot effectively monitor the
behaviour of their "agents", who do not have identical interests and who have information that is not accessible to them. As Weimer and Vining (1991: 132) observe:

The principal faces the task of creating organisational arrangements [incentives, sanctions and monitoring] that minimise the sum of the costs of the undesirable behaviour of agents and of the activity undertaken to control it [also McManus, 1975; Moe, 1984].

It seems that neo-classical economics is unable to proceed without assuming a rational agent seeking to find the optimal means to a well-defined end. It would appear that throughout the economist's couture, ash cloth and hirsute certainly constitute accepted mufti for its acolytes. Such vestments, it could be argued, are inappropriate, perhaps even somewhat incongruous, "like finding Falstaff dressed in a bikini!" (with apologies to Panitch as quoted by Metcalfe & McQuillan (1979: 268)).

Under the influence of the ideology of neo-classical economics, bureaucracies are conceptualised as amorphous, instrumental, rational-legal form of hierarchical organisations (indeed, an ultra-Weberian ideal-type) administered by rationally self-interested officials, who, according to Tullock (1965: 29-30) can be normally treated "... as if [they] were behaving out of selfish motivation" (also Downs, 1967; Jacobs, 1981: 18-30; Laffont, 1990; Niskanen, 1971, 1973, 1975 & 1978; Terole, 1986; for alternative public service motivational paradigms see Perry & Wise, 1990). These public officials, akin to the archetypal traditional bureaucrats (Gregory, 1991: 307-8), are inherent utility maximisers motivated by the desire to maximise their own utility functions that are clearly self-serving (by embracing power, income, perks, public reputation, prestige, patronage, ease of
making change, ease of management, convenience and security), although not exclusively so (by allowing for organisational loyalty, mission commitment, professional pride and serving the public interest, and agency output) (Downs, 1967: Niskanen 1973). The result is the inherent tendencies for such bureaucrats to be deceitful, or even dishonest, by distorting information communicated upward, so as to promote their own self-interest; by making decisions that are consistent with their own self-interest; and by implementing policy decisions in such a way as to promote their own self-interest (Downs, 1967: 77-78), which ultimately means maximising the size of their agencies (Tullock, 1976: 26-35) in terms of personnel (Noll & Fiorina, 1979), budgets (Niskanen 1973: 22-23; also 1994; but see Conybeare, 1984) or discretionary budgets (defined as the difference between the budget received and the minimum cost of producing the required outputs) (Niskanen, 1975). This creates a bureaucracy that is perpetually expanding and that requires a hierarchical authority structure (Hayek, 1960; von Mises, 1944), based on rational rules, which are held to be legitimate by all members, to achieve co-operation (Downs, 1967: 162), even though the capacity for top-down control diminishes as bureaucratic size increases, to the point where a large organisations can never be fully controlled or even co-ordinated (Downs, 1967: 143; also Breton & Wintrobe, 1975). Bureaucratic failure is thus inevitable; the bureaucratic solution to which, according to Perlman (1976: 76), is usually:

... to create another bureau to oversee those who have lapsed into sin. Bureaux are piled on bureau and the bureaucracy grows on [also Downs 1967: 148].

This process of ever expanding vertical and structural control is a response to the need for a governance mechanism that minimises the cost of any mismatch between controls and tasks by making bureaucracies responsible
for the tasks they perform. A situation is thus created where monitoring bureaux become increasingly involved with the minutiae of administration and thus have a growing demand for control-oriented information, hence Downs’ observation that (1967: 150):

The quantity and detail of reporting required by monitoring bureaux tends to rise steadily over time, regardless of the amount or nature of the activity being monitored.

The neo-conservative ideology of economic rationality under-scores the linking of the productive and allocative efficiency of government to managerial ability, authority and accountability: managerialism (Golembiewski & Kuhnert, 1994; Hensher 1986: 158), or “the managerial metamyth” (Adams & Ingersoll, 1990: 285), which has begun to pervade public administration in Western countries (Caiden, 1994; Hede, 1991; Ingraham & Peters, 1988; Lane, 1985; Mascarenhas, 1993; Peters, 1994; Pollitt, 1990a). It has been defined generically by Pussey (1988: 15) as:

A body of problem-solving and organisational skills that are equally applicable to anything and everything that is normally done in large formal organisations employing great numbers of people. Management skills are context-free and value-free and, indeed, management is really a rubric for what are tauted as ‘universal’ skills

In the public sector context, Halligan and Power (1990b: 96; for an elaboration see 1992) define it as a regime:

... that introduces private-sector ideologies and techniques into the executive branch and in an instrumental fashion seeks to
"decompose" the organizations it influences into interchangeable roles and modules.

Similarly, Uhr (1990b: 22), admitting a degree of over-simplification, defines managerialism as:

The pursuit of results-oriented systems of government management through streamlined processes of decision-making designed to allow greater autonomy but also greater responsibility for the field or program manager.

Managerialism thus:

- places emphasis on policy management and implementation rather than on policy development and design in public administration;

- stresses efficiency, effectiveness and quality, as against process and equity, in the management of public resources (involving goal setting, performance benchmarking, performance definition, performance measurement, performance feedback and performance enhancement incentives);

- prefers to maximise the use of competition:
  - within the public sector (to produce what Halachmi & Holzer (1993) describe as "competitive public administration" (also Rehfuss, 1991)), and
  - between the public and private sectors;
• advocates the use private sector management practices in the public sector;

• seeks to diffuse responsibility and to devolve authority, with the establishment of corresponding management responsibility and public accountability structures; and

• shifts the public accountability focus from inputs and process to outputs and outcomes.

Managerialism fosters the concomitant proposition that "good government and good organisation results from deliberate intentions, detailed plans and consistent decisions" (Prasser 1990: 194). The politico-administrative task of government is thus conceptualised as responding as efficiently and as effectively as possible to the claims made by its various constituencies, using a rational-comprehensive model of policy-making, involving depoliticised, goal-oriented strategies (Simon, 1957; but see Groewegan, 1990), chosen after comprehensive instrumental-rational (means-ends mode) analysis, and routinely implemented by compliant, decentralised yet hierarchically-controlled and accountable public agencies. Such agencies are viewed systemically as problem-solving and program-delivery mechanisms, conceptualised as production units (open systems) within which measurable "inputs" are used in a "production process" (generating "activities") to produce measurable "outputs" that have an "impact" (produce "costs" and "benefits") and thus generate measurable objective-related "outcomes" that allow performance to be measured against given and known "organisational objectives" that are compatible with given and known "government policy objectives" (Breton, 1974). The management of the public "production process" is thus best de-coupled, as far as possible, from political structures and processes and best left not to self-seeking and
empire-building bureaucrats (Kaufman, 1981), but to cognitive, goal-oriented, problem-solving, decision-making and interventionist technocrats (Flam, 1990b: 225):

- who would always prefer to use information as an aid to joint problem solving, rather than distorting it to promote their own narrow self-interest, such as "organisational gangsterism", as described by Kobrak (1992), or to use it as a resource in an intra- or inter-organisational struggle (as described by Wilensky (1967));

- who would use advanced analytical techniques, to determine which programs will (and do) best achieve their desired objectives, rather than judging merely on the basis of self-interest; and

- who would adopt private sector business practices to create the appropriate structures, processes, culture and incentives to deliver those programs most efficiently and more economically, operating within a outcome-centred budgetary and public accountability systems, rather than adopting administrative practices aimed at maximising their span of control, their overall subordinate personnel or their budgets.

As Jackson (1982: 87) remarks:

In the neoclassical system, economic agents are treated as if they are mindless automata who respond in a fully programmed fashion to external stimuli such as price and quantity signals. . . . This view of the decision maker is simplistic in its image of Man
the decision maker and demanding of his powers and capabilities.

Self (1977: 34) has characterised the economic rationalist's ideal-type administrator thus:

... it might be said that the final aim of the administrator should not be the realisation of any prescribed objectives, but the maximisation of the net satisfaction (for example total benefits - total costs) of all those persons whom his decisions affect. The administrator, or policy-maker, then becomes like a market entrepreneur, choosing between alternative mixes of resource allocation according to his ultimate calculation of the net benefits conferred, not only upon his direct clients but upon all individuals who are significantly affected by his decision [also Caiden, 1991a: 197 ff.]. The administrator's own profit is the salary society pays him for his skill in anticipating and meeting social wants; and the 'goal-matrix' or relevant public policies becomes primarily a short-hand guide to those measures which have been found (on the whole) to maximise net consumer satisfaction in the past.

In this setting, publicly-provided services would be delivered with more "productive efficiency" (by increasing productivity) and with more "exchange efficiency" (by maximising the utility derived from those services by supplying only citizens who derive the highest utility from them (that is, have the greatest need for them), which is achieved by altering consumer behaviour through education, regulation and economic incentives). This would make government programs and, indeed, government, both more "cost-efficient" and "cost-effective" in the use of
resources, which would maximise community satisfaction (Simon, 1957: 186), maximise public confidence in government (Wholey, 1993), and maximise the quantum of resources available to the private sector (Fellow & Kelaher, 1991; Horton, 1987).

This managerialist perspective, with its presumption of the superiority of “scientific knowledge and of progress over democratic process and outcome” (Rosenthal, 1990: 400; also Finer, 1966 [1941]; Friedrich, 1966 [1940]), and with its neo-conservative inclination towards technocracy (a situation where professional career public servants more fully control the public policy than do politicians), has, however, a missing link. Private-sector decision-making, with its self-correcting dynamic feedback loops (automatic disciplining mechanism), is difficult to replicate in the public sector for three reasons. First, authority in the public sector is much more dispersed, reflecting pluralistic pressures. Secondly, political decision-makers do not always share common goals, objectives and values. Finally, they may have neither the required expertise nor the willingness (or ability) to learn from the outcomes of past decisions. Indeed, policies and political process are the product of, in the words of March and Olsen (1983: 292), “incremental adaption to changing problems with available solutions within gradually evolving structures of meaning.” Thus, as Prasser (1990: 194) remarks “intentions are changed, plans become irrelevant, and consistency becomes an impediment to the day to day management of issues, crises and problems.” The process of governance is, in Waldo’s words (1984: 128) a “seamless web of discretion and action” that is integrally bound to the evolution of civilisation (Marini, 1993), the management of which requires the art of “statecraft” (Borins, 1992; Peters, 1994) and respect for what Goodsell (1989b) describes as “administrative ritual” (repetitive, staged and time-specific rites, cyclicly repetitious
formalistic processes and expressive programs), which he considers (p. 161) "... can foster the community spirit that is essential to holding together and governing a civilized society."

While economic rationalism has been used to justify the need for radical bureaucratic change in Australia, and elsewhere, has even defined its broad contours, its contribution to reform implementation has been, fortunately, over-shadowed by those, in the spirit of the post-progressivists (Stever, 1993), who argued that APS agencies must not only be efficient producers but also have the capacity to fully develop the creative potential of their members, thereby developing the tolerance for ambiguity and paradox needed to operate in a post-modernist world of immense complexity, hyper-diversity and self-referentiality (Marshall & White, 1990; Miller 1994). In addressing the inadequacy of bureaucratic performance, organisationally-naive neo-classical economists have little to prescribe, beyond their faith in the disciplining power of market forces (Domberger & Piggott, 1986; Porter et al., 1987; but see also Ahrne, 1990; Tomlinson, 1986; Winter, 1964), which enables customers, service recipients and employees to change their organisational allegiance by exercising Hirschman's (1970: 4) "exit option" (also Barry, 1974; Birch, 1975), in the belief that this will empower them sufficiently to have their wishes met and expectations realised.
Commercialisation, Corporatisation and Privatisation

By the mid 1980s APS agencies began to feel dramatic change, as they became the rallying point for economic rationalists in government (Coates, 1988):

- seeking to achieve cost-efficiency and cost-effectiveness in all that they did;
- arguing that the continuance of inefficient budget-funded service delivery is no longer affordable in a world dominated by chronic balance of payments deficits and worrying public debt; and
- asserting, as an act of faith, that the adoption of business practices will result in productivity improvements, lower costs, more extra-budgetal revenue and improved customer services.

This led to a de-coupling of policy advising and regulatory functions from service delivery functions, which allowed agencies to identify those budget-funded core and incidental service delivery activities for which markets could be identified and charges (reimbursements) imposed. Increasingly, APS agencies either established integrated administrative units to conduct specific commercial activities, particularly the provision of common government services (that is, goods and services traditionally provided to and by APS agencies without reimbursement) with varying degrees of commercial expectations; or began to conduct commercial activities by selling goods and services related to, or derived from, their budget-funded core or incidental functions that have primarily non-commercial goals.
"Commercialisation" describes two sequential but inter-related processes. The first process involves "marketisation" (Coward, 1990: 67), the creation of either monopoly, contestable, or competitive markets for the goods and services produced by APS agencies. A monopoly market is one where the APS agency is able to sell goods or services for which there are no close substitutes available. A contestable market is defined by Baumol (1991: 513) as one characterised by

... the presence of potential entrants [with goods and services that are close substitutes] who can enter without incurring unrecoverable costs and in numbers sufficient to discipline the firms already extant [also Baumol et al., 1982].

A competitive market is one where private sector competitors are able to compete with an APS agency for market share.

Commercialisation embraces:

- contracting-in, which can be defined as

  ... an arrangement whereby a department or authority provides a service using internal resources, to either private industry or another government body by competitive marketing and the charging for that service (Australia, MAB-MIAC, 1992c: 1); and

- user charging (reimbursement regimes) for goods and services.

By this means, agencies are faced with quasi-commercial, contestability (Australia, MAB-MIAC, 1992c: 1; also Weimer & Vining, 1991) or competitive pressures to enhance their productivity, to improve their
service quality, to increase their extra-budgetal revenue and/or to reduce their costs.

The second stage involves the internal organisational processes that focuses on how agencies adapt to these marketisation pressures. This involves the re-engineering (Coulson-Thomas, 1993) of organisational structures and processes, so as to enable such agencies to conduct their commercial activities by either:

- establishing one or more integrated commercial (quasi-commercial) units; or
- establishing a set of commercial procedures that permit and facilitate the conduct of commercial (quasi-commercial) activities as an adjunct to their budget-funded functions

Both approaches require the adoption of commercial goals (in relation, for example, to profit and to customer service), which necessitates the use of business-oriented management practices. The precise form of the commercialisation, however, depends on the extent to which:

- market competition is permitted or expected;
- cost recovery is required or permitted;
- non-commercial goals have to be met simultaneously;
- budget supplementation is provided to APS clients; and
- revenue retention is permitted.

A process of divestiture is defined when the concept of “commercialisation” is linked directly, or through “corporatisation”, to “privatisation”. “Corporatisation” describes the process of assigning
responsibility for the commercial or quasi-commercial provision of
government goods and service to a separate government-owned legal
entity, whether through statutory authorities; through the incorporation of
a government-owned or controlled limited liability company under the
Companies Code; or through the creation of Trusts operating under specific
statutes (for a general conceptual discussion see Koch, 1995).

"Privatisation", narrowly defined, describes the process of transferring
ownership (or control) of a government organisation to the private sector.
It can be argued that commercialisation is a necessary but not sufficient
condition for privatisation. The international firm of chartered
accountants and management consultants, Ernst & Whinney (1988: 27),
have postulated that whether "commercialisation" leads to "privatisation"
through "corporatisation" depends on:

- whether the commercialised venture has a valid and
  significant public policy role which precludes successful
  privatisation;

- whether it has a high potential for commercial success,
  without future government assistance;

- whether it has an appropriate financial structure,
  management and facilities to operate in a private enterprise
  environment;

- the reaction of its special interests groups (customers,
  employees, unions, suppliers, competitors and possibly local
  communities);

- the reaction of public opinion to proposals for its sale; and
• the impact of a particular privatisation on other government policies.

The federal government's probing of commercialisation needs to be placed in the context of radical administrative reform that began in the 1980s, which was designed to enhance both the efficiency and effectiveness of government. These reforms sought to change fundamentally the APS in terms of:

• its structure ("the pattern of actual recurring behaviours" (Kahn, 1974: 496) that gives rise to a hierarchy and a division of labour);

• its procedures and systems (organisational processes); and

• its organisational culture (those assumptions, myths, symbols, metaphors, stories, ceremonies and rituals that give rise to a set of correct ways for organisational members to perceive, think, feel and act with regard to tasks and crises by giving them standard meanings as to what is important, how things should be done, and what is acceptable (Gunner, 1990; Hatch, 1993; Lundberg, 1990b; McConkie & Boss, 1986; Schwartz, 1987; Yanow, 1992)) which:

• influences or determines organisational behaviour (Schein, 1985: 168; also Cleary et al., 1992; Eubanks & Lloyd, 1992);

• distinguishes one group or organisation from another (Hofstede, 1980);
• enables groups of individuals to cope with external adaption and internal integration (Dalmau & Dick, 1989; Gabriel, 1991; Gordon & Cummins, 1979; Pettigrew, 1979; Van Maanen, 1979)); and

• renders an organisation predictable (Ouchi & Wilkins, 1985; Wilkins, 1983).

These reforms, in turn, must be placed in their historical and social contexts to be understood.
2. PREPARING FOR ADMINISTRATIVE REFORM: THE 1970s

Australian Public Service (APS) practices came under no comprehensive scrutiny from the 1920s, when the first wide-ranging enquiry into federal administration took place, until the early 1970s (Wettenhall, 1978), although recruitment was the focus of the an enquiry in 1959 (Australia, Committee of Inquiry into Public Service Recruitment, 1959; also Thompson, 1989). The last two-and-a-half decades of this period were years of unbroken conservative government. They were years of resource-based prosperity for Australia; years of satisfaction with the status quo.

With the 1970s came a growing awareness of the short-comings of Commonwealth public administration and the emergence of a critical understanding of its desired future directions. The APS then embarked on two decades of deliberate and radical reform, initiated during a period relatively rapid economic, social and political change.

This chapter details the 1970s backdrop to APS reforms of the 1980s. It articulates the shifting social values that changed Australian’s expectations of government. It outlines findings and outcomes of the Coombs Royal Commission on Australian Government Administration. It also overviews the set of administrative law reforms introduced from the mid 1970s.

Australia’s Changing Social Fabric

The long undisturbed Commonwealth public administration system entered a period of intensive reform debate from the early 1970s as a
precursor to reform. This debate took place at a time when Australia was experienced enormous change, as the affluence, political stability, a gradual social change that characterised the 1950s and 1960s gave way to economic and political uncertainty, and rapid social change (Dixon & Kouzmin, 1994a). Australia had experienced a remarkable period of economic development in the 1950s and 1960s, characterised by high economic growth, very low unemployment, and continuous increases in both real wages and real household incomes; and by a tendency towards sustained demand-driven inflationary pressures and import-driven balance of payments problems. These decades of widespread and sustained increases in affluence gave rise to a set of community aspirations and expectations that anticipated ever faster growth and ever more rapid improvements in material living standards.

These aspirations and expectations proved to be ill-founded and sowed the seed of Australia’s economic difficulties that began in the 1970s, but continued well beyond. Community expectations of ever greater affluence contributed to three connected developments in the late 1960s; increased trade union militancy, accelerated wage increases and rising inflation, which, when added to the fiscal policies of the Whitlam Labor Government (1972-75) and to the problems faced by the international economy in the early-to-mid 1970s, resulted in the creation of a serious recession in 1974. This sowed the seed of Australia’s economic difficulties for the rest of that decade and beyond, marking the beginning of a relatively long period of economic instability characterised by faltering economic growth, the co-existence of relatively high inflation, unemployment, chronic balance of payment deficits and a growing public debt. This was the economic context in which the administrative reform debate took place in the early-to-mid 1970s.
Australians' perceptions of what they expected of the Commonwealth government began changing in the 1970s. Australia in the 1950s and 1960s was considered the "Lucky Country" (Horne, 1965), because of its affluence (due to its resource richness) and its social harmony (due to its relatively homogeneous cultural heritage and general acceptance of traditional values surrounding country, family, gender roles, and the environment). In this setting, government's role was accepted as being one that protected and supported both the individual and the private sector and that maintained the status quo. The 1970s was the decade when many traditional values about government were questioned (Hawker et al., 1979: 1-5). Even the idea of government initiating social and economic change became increasingly more acceptable. Under threat were many traditional social values relating to country, family, gender roles, and the environment. Indeed, the 1970s sowed the seeds necessary for decade of accelerated social and economic change that was to come in the 1980s.

One changing cornerstone of Australia's social fabric in the 1970s was the replacement of economic affluence with economic uncertainty. The emergence of unemployment in Australia brought with it the development of an under-class, comprising, initially at least, long-term unemployed young people. This brought youth homelessness, drug dependence, prostitution and urban crime to the forefront of Australian's consciousness. As unemployment deepened in the late 1970s and early 1980s, the middle-income earners became its new victims, for the first time since the 1930s' great depression. The "blame the victim" mentality that surrounded unemployment in the bygone era of the 1950s and 1960s, which rationalised a minimalist-residualist welfare role for government, was no longer sustainable, justifying, ultimately, a more interventionist government in the 1980s.
Another changing cornerstone of Australia’s social fabric was the replacement of ethnic assimilation by multiculturalism, which recognised that social cohesion was attained by tolerating differences. This value shift had bipartisan support of successive federal governments in the 1970s. The discrimination practices for which Australia was once well known began, gradually, to loose respectability in the 1960s. By the mid 1970s the process of dismantling discriminatory legislation had begun, as a precursor to the outlawing of racial discrimination and the conferring of special rights on people with non-English speaking backgrounds. This blossomed into the principles of equality, equity and access in the 1980s.

A further cornerstone of Australia’s social fabric that came under attack in the 1970s was the historically well-entrenched values surrounding the gender roles. People born into the affluence of the 1950s and 1960s, who were collectively better educated than earlier generations, increasingly began in the 1970s to question traditional gender roles. The increasing discontent of many women found expression in the women’s liberation movement of that decade. Feminist activism put women firmly on the political and administrative reform agenda in the 1980s.

A further value shift that began in the early 1970s has seen the environmental movement’s twin notions of preserving Australia’s natural and cultural heritage. Conservation and the proper management of the environment become well ensconced in Australian political rhetoric. The Whitlam Labor Government (1972-75) embraced the environment as a major quality of life issue, setting the political tone for the next two decades.

These various social values, the gradual changing of which was becoming apparent even in the early 1970s, contained the seeds that would
blossom into supportive climate for administrative reform that emerged from the mid 1970s.

**Commonwealth Public Administration Under Review**

In 1972, the reformist Whitlam Labor Government (1972-75) came to power and embarked on the largest inquiry ever mounted into Australian public administration (Emy, 1978, ch. 11; Hawker et al., 1979, ch. 8; Hazelhurst & Nethercote, 1977; Prasser 1985; Self, 1978). The [Coombs] Royal Commission on Australian Government Administration (Australia, RCAGA, 1976), found:

- that there should be a greater orientation in public administration towards efficiency and achievement, at both the organisational and personal levels;

- that public accountability and administrative responsibilities (as described by Wheeler (1964) and Crawford (1975)) should be re-balanced, so that public managers could have more accountability, through devolution and deregulation, and greater answerability to their Ministers, Parliament and the general public;

- that public sector employees should be integrated into the national industrial relations and employment framework;

- that clients of common government services should be untied (permitting contracting-out) and charged a fee for those services; and

- that there should be a greater emphasis on improving community access to government services, on achieving
equity in the distribution of government services, and on creating equal employment opportunities, so as to achieve social justice goals, with respect to women and minority groups (designated as Aborigines and Torres Strait Islanders, people of non-English speaking backgrounds and people with disabilities), and to improve effectiveness.

To meet these requirements the Coombs Royal Commission advocated that there was a need for:

- a better use of resources through a forward estimating procedures that gives Ministers and departments a firmer framework for planning and operations;

- a fuller scope for departmental heads to manage their departments, yet with reduced tenure for “permanent” heads;

- the co-ordination of agencies to be more a stimulus to good management than an vehicle for control;

- information to be more widely available to decision makers within departments;

- efficiency audits to be normal practice and used as a feedback process in improving management and rewarding executive managers;

- wider delegation within departments to lessen the need for frequent reference to the top;

- better provision for parliamentary scrutiny and control of the public administration;
• stronger emphasis on equity within the APS and in its dealings with the public, and on improved public access to services; and

• the abolition of the Second Division of the four-tier public service structure and creation of a "Senior Executive Service", a cadre of managers with a high degree of mobility.

One sobering note on the Coombs Royal Commission's findings was expressed by Spann (1977: 86), who observed:

I do get the impression from the Coombes Report that its writers think they have in the end half-reconciled (at least) their conflicting objectives, and brought them into some sort of unity. . . . I have the notion that the Commission thinks it has successfully married the theory of political control and the theory of rational management, and the latter with the theory of participation; that it had a vision (which I believe to be utopian) of how government might move to a situation in which objectives, priorities and standards can be set at every level, where we can all be once free and accountable, all down the line, and that in this lies the best of all possible Australian-government-administrative worlds.

For all the zeal of the reformers, little came directly of their work, as the government that appointed them was out of office before they had reported (Mathews, 1978). Wilenski (1981 & 1986b), one of the leading reform advisers, later observed that the failure of administrative reform to proceed in the 1970s was the product of political naiveté about the process of reform implementation and that desired change had a better chance of
being implemented and sustained if backed by "levers of change", notably, new legislation, rather than merely new regulations or circulars; new permanent institutions; new people, including the recruitment of key members of Coombs Royal Commission into key bureaucratic positions; and the reforms of both the formal processes and the structures of government, particularly co-ordination and budgeting (also Weller & Cutt 1976; Yeend, 1979). The Administrative Review [Bland] Committee (1975-76), an in-house inquiry appointed by the incoming Fraser Liberal-Coalition Government (1975-83), recommended the implementation of only a few of the Coombs recommendations (Prasser, 1981).

By the late 1970s three Parliamentary Committees had added their weight to the drive for more comprehensive administrative reform, namely the Rae Committee (Australia, Parliament, 1979a) the Baume Committee (Australia, Parliament, 1979b) and the Cairns Committee (Australia, Parliament, 1979c). They asserted that the performance of government would be enhanced if only the government would specify "broad strategic [program] goals" and "precise and testable [program] objectives" (Australia, Parliament, 1979b: 70) and reject the prevailing public service wisdom, so admirably expressed by a then Departmental Secretary, Mr Patrick Lanigan (Australia, Parliament, 1979b: 66):

I believe that having regard to our datum point which is the legislation itself and the general consensus, although a tacit consensus, in the community of what the legislation is aiming at, there is sufficient conception of what the Act is trying to do which can be evaluated from the point of view of whether we are doing it efficiently and effectively. . . . As long as we do not try to be too specific in defining our objectives we can assume broad
underlying objectives of the legislation, and we can evaluate by reference to them [also Weller & Lewis, 1988: 1].

This is not to suggest, however, that administrative reforms were not forthcoming during the Fraser years, especially in relation to budgeting and accountability. The budgetary reforms implemented included (Fraser, 1979):

- the functional classification of budget outlays;
- the forward estimating of expenditure;
- the adoption of staff ceilings;
- the adoption of explicit price escalation;
- the creation of formal procedures for the control of forward commitments; and
- the closer monitoring of budget estimates.

The accountability reforms adopted included (Fraser, 1979):

- the introduction of efficiency audits, conducted by the Auditor-General’s Office (under Section 48C of the Audit Amendment Act, 1979) (also Dillion, 1985);
- the creation of program review mechanisms (notably the Priority Review Staff, which was subsequently subsumed into the Priorities and Evaluation Division of the Department of Prime Minister and Cabinet);
- the conduct of inter-departmental program effectiveness reviews (involving the relevant administering
department(s) and the Departments of Finance, the Treasury, and Prime Minister and Cabinet);

- the creation of the House of Representatives Expenditure Committee (to examine the relationship between the costs and benefits of implementing government programs); and

- the creation of policy research agencies (such as the Bureau of Industry Economics).

With these reforms, the principles of cost-efficiency and cost-effectiveness had begun to take root. Nevertheless, towards the end of the 1970s, Hazlehurst and Nethercote (cited in Caiden (1990)) could still speak of the APS as characterised by:

- weaknesses in national planning and *laissez-faire* policy-making (also Hawker et al., 1979);

- the myth of bureaucratic neutrality (also Jackson, 1987a; Williams, 1985) and conformity to the Westminster politico-administrative model;

- inadequate assessment of quality, productivity, efficiency, effectiveness, fraud, waste and abuse of position in the public sector;

- bureaucratic inertia, conservatism and complacency at the top and indifference, insensitivity and carelessness at the bottom (also Scott, 1978);

- lack of administrative accountability and responsibility;

- gerontocracy, cronyism and declining public ethics;
• undue secrecy and institutionalised discrimination;

• low morale and work satisfaction in the public services together with low public esteem and a poor self image;

• inadequate research, education and training in public administration; and

• indifference to scholarship, comparative studies and foreign professional innovation (also Campbell, 1990).

The managerial capacity of the public service towards the end of the Fraser years was also been judged inadequate. The Prime Minister, Mr Malcolm Fraser remarked at the time:

The government believes there is a question whether the public service, as presently organised, has the management tools, the flexibility and the capacities to meet the challenges [confronting the APS] (quoted in Australia, RCA, 1983: 131)

One politically sympathetic Parliamentarian, Mr Jim Carlton, then Liberal Member for Mackellar, felt moved to declared publicly that in his view (1981: 89), which he admitted was only based on anecdotal evidence:

... despite substantial expenditures on the public service, despite attractive levels of remuneration and associated benefits such as indexed superannuation and relative security of employment, Australians are not getting value for money when we look at the managerial capacity of the public service [see Uhr, 1990c for a discussion on this theme a decade later]. Certainly we have a dazzling selection of individual talent, and some functions are run with considerable skill, but I am obliged to conclude that
there are failures in top level management of such an order that they must be a product of an inadequate management system. This is a great pity, because in a wealthy and well educated country such as ours, devoting a significant part of its wealth and talent to public sector administration, there is no valid excuse for a failure to employ techniques that are by no means new if we look at the best experience around the world.

He then identified the following areas of management weakness (1981: 93-4):

- strategic planning (what we are trying to do) and management (how we can do it most effectively in the face of economic, organisational or political constraints);
- managerial philosophy (the way we do things around here);
- performance standards and control systems (measuring our performance against plan); and
- management development (required preparation for our managers).

In so doing Carlton was, in fact, articulating the Australian Labor Party’s managerialist reform agenda for the 1980s. The current Prime Minister, Mr Paul Keating, has reflected, somewhat harshly with the benefit of hindsight, that the pre-1983 “mandarins” in Canberra spent their careers “... sitting in the Commonwealth Club, looking sagely at one another, sipping their Scotches organising nothing or very little” (quoted in The Canberra Times, 3 July 1983: 10).
Despite Fraser Liberal Coalition Government's reluctance to embark on a more general reform of public administration, not to mention public management, it did initiate important administrative law reforms during its tenure of office in the later years of the 1970s, with the support of the legal profession and with the powerful backing of the federal Attorney-General's office. With these reforms the principles of equality, equity and access had begun to take root.

**Administrative Law Reforms**

Basically, administrative law is a study of the controls exercisable by the law over decisions of persons, bodies or tribunals of government or semi-governmental status, established by or under the authority of government and acting outside the respective fields of Parliament and the traditional law courts (Sykes, Lanham & Tracey, 1989: 1).

While public administration traditionalists still held that the Westminster politico-administrative model gave adequate redress to aggrieved individuals and groups through the parliamentary process, the view was gaining strength that the scale and complexity of modern administration left vast and often unchecked discretion in the hands of bureaucrats (Goldring, 1981 & 1985b; Wilenski, 1981). Goldring and Thynne (1990) characterise the administrative law reforms of this period as an attempt to strike a balance between the values of equity and legitimacy; and between the concerns of lawyers on the one hand and those of administrators on the other. Their analysis of the forces advocating, opposing or tempering this "new administrative law" identifies three stakeholders: moral crusaders, who advocated greater openness and equity;
pragmatic advocates, largely lawyers, who were professionally responsive to the need to ensure justice in individual cases; bureaucratic protectionists, who sought defences against too much open government, and economic rationalists, who determined that if new mechanisms must be accepted their cost to the government must not too high.

In general, the administrative law reforms were collectively intended to:

• provide a mechanism for ensuring that government acts lawfully;

• provide a mechanism for achieving justice in individual cases;

• improve the quality of administration by decision-makers with feed-back on their decisions; and

• enhance the accountability of government decision-making.

This involved the promotion of the fundamental values of administrative law: namely, openness, fairness, participation, impartiality and reasonability (Jinks, 1982; Taggart, 1991: 31; Taylor, 1983; Wannan et al., 1992: 183-196; Wilcox, 1990).

The deliberations of the Administrative Review Committee in 1971 led, in due course, to three pieces of legislation, the Administrative Appeals Tribunal Act 1975, the Ombudsman Act, 1976, and the Administrative Decisions (Judicial Review) Act, 1977 and to the setting up of the Administrative Review Council (Bayne, 1984, 1986, 1988a & 1988c; Pearce, 1986; Saunders, 1989). But much further debate was to precede the

The Administrative Appeals Tribunal was described by the then Attorney-General, Mr K. E. Enderby, as:

>a single independent tribunal with the purpose of dealing with appeals against administrative decisions on as wide a basis as possible" (Australia, Parliament, *House of Representatives, Parliamentary Debates*, 6 March 1975: 1,186).

It thus provides a forum in which an individual aggrieved by administrative action can seek redress from a judicial body operating with simplified procedures (Goldring, 1980). The tribunal, headed by legally qualified people, co-opts expert assessors to deal with particular matters. Witnesses may be called and cross-examined. The tribunal has the authority to review administrative decisions "on the merits" and, remarkably, may in an extreme case even replace a ministerial decision with its own decision (Tomasic & Flemming, 1991: 1-158). It would however be unlikely to overturn a ministerial policy already tested and approved by Parliament (Bayne, 1988c: 155-62; Sharpe, 1986: 70). Appeals on the grounds of law may be made first to the Federal Court and from there to the High Court.

The government-appointed Ombudsman has extensive powers to investigate complaints of maladministration by APS agencies and "prescribed authorities" (Australia, Parliament, 1991d; Goldring, 1985b; Jinks, 1989b; Tomasic & Flemming, 1991: 265-332). The Ombudsman lacks, however, the formal authority to enforce a remedy but can report to a departmental head and, if not satisfied with the response received, can take
matters further, to the Prime Minister or even to Parliament (Bayne, 1988c: 162-7; Lee, 1991b; Pearce, 1989; Selby, 1989).

The Administrative Decisions (Judicial Review) Act, 1977, according to the then Attorney-General, Mr R. J. Ellicott, set up:

... a simple form of proceedings in the Federal Court of Australia for judicial review of Commonwealth administrative actions as an alternative to the present cumbersome and technical procedures for review by way of prerogative writ, or the present actions for a declaration or injunction (Australia, Parliament, House of Representatives, Parliamentary Debates, 28 April 1977: 1,394).

This form of judicial review can be characterised, using Kitchin’s (1990: 97-9) typology of judicial review, as “independent-coercive” (involving an independent judiciary issuing rulings that have a binding effect). It thus provides a mechanism under which an aggrieved party may obtain, by order of the Federal Court, the reasons for an administrative action, and have it set aside if it is found not to have been lawfully made (Goldring, 1989; also Barnes, 1990).

The last of the administrative law reforms to reach fruition was the Freedom of Information Act, 1982, reluctantly supported by the Fraser Liberal-Coalition Government (1975-83). This legislation was a response to the perceived need for access to information held by government agencies to be less discretionary (Bayne, 1987 & 1988b). As the then Prime Minister, Mr Malcolm Fraser, remarked in 1978: “... people and Parliament must have the knowledge required to pass judgment on the government” (quoted in Bayne, 1988b: 539). The Freedom of Information Act, 1982 extended the right of the Australian community to access information
possessed by government, while counter-balancing questions of cost and confidentiality (Tomasic & Flemming, 1991: 339-516).

The Administrative Review Council, set up by the same Act as the Administrative Appeals Tribunal, provides a mechanism for review of the workings of this whole body of administrative law, and for the consideration of extensions to it (Bennett, 1989; Goldring and Thynne 1990; Tomasic & Flemming, 1991: 159-264).

How well have these administrative law mechanisms served the purposes for which they were set up? Bayne (1988a: 1, 040) has drawn out their public accountability implications:

A major principle of the "new constitutional settlement" was that public servants were now to be directly accountable to external review. This was premised on a recognition that the officials do make important decisions, and that doctrines on ministerial responsibility were inadequate.

Goldring and Thynne (1990) found that the Ombudsman has provided an admirably simple channel of redress for ordinary people, and that occasional criticisms of slowness fail to take into account the large volume of work successfully accomplished and the limitations on resources (also Tomasic, 1988). The Administrative Appeals Tribunal has served well as a specialist forum on administrative matters, and its jurisdiction has been extended on the recommendation of the Administrative Review Council. However its authority to overturn ministerial policy, even if used very infrequently, has remained controversial (Kirby 1981; Pearce, 1980; Rose, A., 1989).
In considering the effect of these administrative law mechanisms it is easy to overlook what Goldring and Thynne (1990) have called the preventive dimension, the tendency of administrators to amend their procedures and indeed their attitudes because of the prospect of scrutiny by administrative review mechanisms, or simply to be more aware of the ethical dimensions of their work, which had already occurred to a considerable degree by the end of the 1970s (also Pearce, 1989). As Goldring and Thynne observe (1990: 59), "the value of individual justice as a key component of legal culture has been internalised . . . to a greater extent than ever before." Yet they proceed to strike a sobering note when they observe that managerialism, which has come to occupy centre stage in public administration, is beginning to temper this humanising trend in administration, with its concern about the procedural (and thus technical) efficiency implications of the due-process complexities generated by case-based administrative review mechanisms (Curtis, 1989; Pollitt, 1990a; Thompson, 1991: 138-9; Volker, 1985 & 1989; Walsh, 1989; but see Goldring, 1985a; Thynne & Goldring, 1985 & 1987). Indeed, a Public Service Commission survey of the senior public servants conducted in early 1993 revealed that 89 percent of respondents thought that administrative law did nothing for good management (quoted in The Canberra Times, 18 April 1993: 5). The issue, then, is to what extent should costs and inefficiency be tolerated as the price of honouring the higher values of the democratic processes (Cashman, 1989; Davey, 1983). This is an issue that has been brought into greater prominence as a result of the managerialist reforms of the 1980s.

The 1970s were, indeed, a watershed in federal public administration. The principles of cost-efficiency, cost-effectiveness, equality, equity and access had all begun to take root. The administrative law reforms
contributed significantly to the administrative milieu within which commercialisation and other managerialist reforms were posited and implemented the following decade.
3. AUSTRALIAN PUBLIC SERVICE MANAGERIALIST REFORMS: THE 1980s AND BEYOND

The socio-economic *milieu* of the 1980s set the context within which the APS financial, human resource and structural reforms were introduced. This chapter describes both that *milieu* and and those reforms.

The Socio-economic Milieu

The Australian Public Service (APS) managerialist reforms that were planned and introduced in the 1980s must be seen, in part, as a constituent of the Hawke Labor Government's response, first, to the cyclical and structural economic problems facing Australia in the early 1980s; and secondly, to changing social values, particularly in respect of gender roles and multiculturalism (Dixon & Kouzmin, 1994a; Kouzmin & Dixon, 1993).

Changing Economic Environment

In the face of the protracted period of economic instability that began in the mid-1970s, characterised by faltering economic growth, the coexistence of relatively high inflation and unemployment, and chronic balance of payment difficulties, successive federal governments confronted the prospects of chronic budget deficits and thus the need to cut expenditures or to raise addition revenues. The Hawke Labor Government’s initial macro-economic policy agenda, dictated by these economic circumstances, set employment growth as its priority macro-economic goal, to be achieved largely by making industry more competitive through devaluation, caused by the deregulation of the exchange rate; and
by keeping wage increases below the inflation rate, achieved by negotiating an accord with the labour movement (Singleton, 1990). By the late 1980s, however, Australia’s high level of inflation and chronic balance of payments deficits had become the important twin macro-economic policy priorities. When this was coupled with a growing international debt, the policy prescription was to tighten monetary policy, forcing interest rate to extremely high levels, and to restrict fiscal policy, resulting in successive federal budget surpluses in the late 1980s. The subsequent downward trend in the international economy, produced a recession in the early 1990s that saw unemployment return to its high levels of the early 1980s, inflation drop to its lowest level in 30 years, and the chronic balance of payments deficits continue more or less unabated.

The economic difficulties faced by Australia in 1980s where more than cyclically in nature, for there were underlying structural imbalances that reflected worrying long-term trends. The manufacturing sector existed, despite its relative inefficiency, largely because of government protection. The highly efficient and internationally competitive primary and mining industries were susceptible to commodity price variations, international trade barriers, and trade wars between the major trading blocs. The result was that Australia had a very narrow export base and, inevitably, chronic balance of payments deficits, and had to become more internationally competitive.

Micro-economic Reform

Driven by the desire to achieve increased international competitiveness the Hawke Labor Government initiated a micro-economic
reform process from which the APS, and public sector more generally, were not isolated, which involved:

- workplace reform (under the Structural Efficiency Principle ruling by the Industrial Relations Commission in the National Wage Case of August 1988);

- industry restructuring (as with the Button plan for the motor vehicle industry and reform of the Australian waterfront);

- government restructuring and public sector reform (such as commercialisation, corporatisation, deregulation and privatisation (Baker, 1988; Australia, MAB-MIAC, 1992c));

- promotion of competition (for example, through phased tariff reductions and monitoring of commercial pricing practices) (Australia, EPAC, 1991, 1992a & 1992b; Australia, Treasury, 1991); and

- promotion of competency-based training and vocational education (for example, the introduction of Training Guarantee Levy and the reform and expansion of technical and further education) (Australia, DEET, 1992; Australia, ESFC-NBEET, 1992).

In essence, micro-economic reform involved significant deregulation.

**Deregulation.** Deregulation became a vehicle to change the relationship between the public and private sectors and to alter how government delivers services (Sedgwick, 1992). A government’s use of regulations to
achieve desired policy outcomes, by controlling the behaviour of individuals and of organisations (public, private or community-based), involves defining a process that produces desired outcomes (procedural regulations) or that outlaws certain behaviours considered to be criminal or otherwise socially unacceptable (control regulations) (Dubnick & Gitelson, 1982; Grabosky & Braithwaite, 1986). In this context, deregulation can be conceptualised as the streamlining of procedural regulations or as the dismantling, totally or otherwise, of control regulations. Both forms of deregulation occurred in Australia in the 1980s.

Australia has seen much streamlining of procedural regulations over the last decade. So much so, in fact, that the way society interacts with its public agencies is now quite remarkably different, arguably much better, as compared with even the early 1980s. The widespread application of a range of meta-policy principles, including anti-discrimination, positive discrimination, and environment and cultural heritage protection has been driven by the desire to make the public sector more efficient and effective in what it does, and more sensitive to the needs of its stakeholders. Thus the streamlining of procedural regulations not only changes the way society interacts with public agencies, but also changes the role of government.

The dismantling of control regulations is a way that government can marginally or even more radically change its roles. This form of deregulation has some obvious examples, most notably the partial deregulation of the banking system (1984) (Australia, Parliament, 1991c); of the airline industry (1990); and of the telecommunications industry (1992) (Australia, BTCE, 1990). The intent of this form of deregulation has been to open up the affected industries, including their public sector components, to increased competition (see, for example, Parr, 1992).
Privatisation. Privatisation is a multi-dimensional concept which, in its broadest sense, extends well beyond the sales of government assets to embrace also competition, deregulation and reduced dependence on public funding (Rose, R. A., 1989). In its common usage, it covers "all general efforts made to reduce the scale and scope of government" (Howlett & Ramesh, 1993: 19, n. 1; also Leighton, 1988). Somewhat more restrictively, it covers "efforts by the state to replace [policy] instruments based on command, control or ownership with those based on information, exhortation or incentives" (Howlett & Ramesh, 1993: 19, n. 1) and thus embraces (Wiltshire, 1990; also Abelson, 1987; Ansett, 1986; Bos, 1991; Ferris & Grady, 1986; Forsyth, 1986a & 1986b; Hartley & Parker, 1991; Howard, J., 1986; Paddon, 1991; Vickers & Yarrow, 1989):

- deregulation (complete or partial) of Government Business Enterprises (GBEs);

- partnering (public-private sector joint ventures) (Channey, 1994; Podger, 1994; Singleton, 1994); and

- contracting-out (or franchising), with competitive tendering (Aulich & Reynolds, 1993) to the private sector (or even the non-profit sector) of ancillary or support services, partial core mission implementation, core missions components or even mission determination (Dahl & Glassman, 1991) previously the responsibility of a line (service delivery) or a central (co-ordinating and control) agency (out-sourcing), which can perhaps involve regulatory control and the partial or complete transfer of staff and/or other resources to the private sector contractor.
Taken separately, these are not new concepts (Hood, 1991), even to Australia. Taken together, they have added conspicuous momentum towards the inculcation of commercialisation and managerialism into the Australian public sector, and specifically the Australian Public Service (APS).

The intellectual origin of privatisation clearly lies in neo-classical economic theory and, to a lesser degree, in political science, rather than in organisational or management theory. As Rowlands (1990: 249), observes:

... since organisations and their management are central to the debate, the silence on behalf of organisation and management theory is rather curious ... and generates a puzzle.

Further, he notes (1990: 249)

Organizational theory has always ostensibly been concerned, above all else, with a question of efficiency; now [proponents of privatisation] offer conversion to private ownership as a simple, certain prescription for improved organizational efficiency. Why then, has this prescription never been offered by any school of organizational thought? Why has organizational theory had little to say about privatisation?

Organisational and management theorists have remained silent on the privatisation debate because the privatisation debate stops with the issue of ownership, which leaves the important questions of organisational structure (Radin, 1988) or managerial prerogatives (Howard, 1989) unexamined. At stake is the veracity of a range of theoretical conceptualisations that are continuously being pressed into the service of organisational legitimation, both public and private, "especially since,
according to the organizational or managerial imperative, management prerogatives and associated organizational legitimation is a well-rewarded expert activity” (Salaman, 1979: 212).

Although the connection between ownership and efficiency is not one that has been validated by organisational theory, privatisation has been hailed by its proponents as the panacea to the maladies of the public sector. Its benefits are conceptualised as improved economic and productive efficiency (Tisdell, 1985), although their axiomatic linkage is problematic (Hartley & Parker, 1991; Millward 1986) given that efficiency gains can be at risk where privatisation occurs with competitive restrictions in place or with inadequate regulatory controls over the abuse of market power (Hutchinson, 1991). The obvious appeal of focusing attention on productive efficiency is that it reduces decision-making complexity at both the organisational and political levels. This, however, cannot be construed as a value-free standard in administrative analysis, for it is highly ideological and is not in any way self-evident. First, to focus on productive efficiency is to focus upon means and so obscure ends and values. Secondly, the focus on productive efficiency encourages a preoccupation with parsimony rather than economy, a distinction lucidly draw by Edmund Burke (1969 [1796]: 397) almost two hundred years ago when he remarked to a Noble Lord:

... mere parsimony is not economy. It is separable in theory from it; and in fact it may, or may not, be part of economy, according to circumstances. Expense, and great expense, may be essential part in true economy... Economy is a distributive virtue, and consists not in saving, but in selection. Parsimony requires no providence, no sagacity, no power of combination, no comparisons, no judgment... The other, economy, has larger
views. It demands a discriminating judgment, and a firm, sagacious mind. It shuts one door to impudent importunity, only to open another, and wider, to unpresuming merit.

Short-term parsimony at the expense of innovation, and all that that has to offer in terms of longer-run revenue gains (through product innovation) or longer-run cost reductions (through production process innovations), is not economical, but it is attractive when innovation threaten managerial prerogatives (Benson, 1977; Kouzmin, 1980b). Thirdly, the link axiomatically made between enhanced productive efficiency and competition is base on the a priori assumption of perfect competition. Where this does not apply efficiency improvement becomes uncertain. (Where competition is restricted, barriers to competition may be difficult to remove and effective regulatory regimes may be difficult to design.) Perfect competition is simply regarded by economic rationalists as the idealised marketplace's virtue, for the incidence of business failure is objective evidence that Darwinian-type processes are at work. Brockway (1992: 258) expresses the view that:

... advocates of perfect competition assume its existence, fallaciously affirm its validity by assuming its alleged consequences, and proceed to lobby for policies supposed to be in harmony with their original assumption.

The privatisation debate feeds upon the alleged unsatisfactory public sector performance. Public-private sector comparisons are, however, problematic because of the methodological difficulties generated by the problems of measuring comparative costs and standardising outputs and by the need to consider the costs involved in achieving non-commercial (public interest) objectives (Heald, 1984; Walker, 1993: 11; also Australia,

The amount of systematic evidence on the relative efficiency of public and private production is extremely limited. The combination of little evidence and acute ideological significance makes for a heavy brew. Universal generalisms are drawn on the basis of a few empirical studies and impressionable examples. One of the obstacles to illumination is the open hostility to the public sector of most of the authors using a public choice framework (also Ostrom & Ostrom, 1971).

The focus of the privatisation debate in the 1980s shifted away from ownership towards public sector reform, in part because of the Australian historical inclination towards GBEs, and the desire for continuing involvement of government in market regulation and in the provision of infra-structure and the delivery of services, . Until 1987, the privatisation debate was driven by macro-economic factors, such as budget deficits and foreign debt. The specific issues then dominating the debate included the financing of capital requirements and levels of unemployment. From 1987 onwards, however, the emphasis shifted towards micro-economic reform, especially deregulation, and the debate's specific focus shifted towards cross-subsidisation and standards of service. Little debate, however, occurred with respect to not only the linkages between competition and economic efficiency, and between efficiency and equity, but also the nature of necessary regulatory regimes (Braithwaite et al., 1986; Grabosky &
Braithwaite, 1986; also Dubnick & Gitelson, 1982) and the methods of privatisation best suited to Australia.

In response to either perceived or real threats of privatisation, bureaucratic service delivery systems have adopted managerialist principles and practices and, to varying degrees, have become more commercially oriented (Kouzmin et al., 1995). This has put pressure on public servants to adopt business management practices (Longbottom, 1987), on the grounds that:

- management problems related to service delivery by public agencies are complex technical matters of relating to productive efficiency, productivity and costs, which are best resolved by highly technical experts;

- centrally-imposed regulations and externally-imposed political and policy constraints unreasonably restrain expert management decision-making;

- technical abilities and management capacities are the proper basis for establishing and maintaining the right to manage public service delivery processes, which is a move towards the de-politicisation of complex organisational and environmental issues that would otherwise be resolved within public and political forums; and

- politics and policy, therefore, are properly reduced to constraining, rather than enabling, forces within public service delivery agencies; thus, *ipso facto*
the adoption of private sector management practices are the solution to "poor management" of public service-delivery agencies.

Despite the rhetoric of the privatisation debate and, more importantly, internal government policy debates, the privatisation thrust by the end of the 1980s had, according to Wiltshire (1990: 229) achieved quite modest outcomes:

- only a limited reduction in government monopoly powers in telecommunications;
- many GBEs are being corporatised rather than fully privatised;
- conversion of some statutory authority loans to equity with debt/equity ratios established and with specified dividend requirements;
- some government and auditing controls have been removed; and
- social objectives are being specified in the enabling legislation of some GBEs.

Yet privatisation remains symbolic of the intent of government to improve the performance of the public sector. Indeed, that there has been an acceptance of limited privatisation (broadly defined) and of the need to inculcate commercial and managerialist values and practices into public administration by successive federal Labor governments is quite remarkable, given the hostile ideological imperatives from traditional
Australian Labor Party power bases. The Hawke and Keating Labor Governments have done so in order to:

- generate revenue either to reduce taxes, to fund other government programs or to reduce public sector borrowing requirements;
- reduce outlays by increasing the performance of low-productivity activities;
- provide a better standard of service, at a lower price, for the consumer by creating a more competitive environment (Schott, 1990), by creating a more commercial culture, and by substituting a more effective regulatory framework for the previously existing financial and ownership controls; and
- reduce government involvement in an industry.

**Industrial Relations Reform.** Another fundamental item on the micro-economic reform agenda has been labour market deregulation and decentralisation. The key to the future of labour relation lies in the shift from a centralised wage fixation system towards enterprise bargaining, which can be tailored to be an integral part of the workplace and which places more responsibility for the quality of bargaining outcomes on the parties to the employment relationship and their representatives. This industrial relations reform has had bipartisan political support, although the major political groupings have markedly different views on the speed of reform. The centralised wage fixation system, for almost 100 years the centre-piece of Australia’s unique industrial relations system, is not likely to see its centenary.
The Hawke Labor Government and its successor, the Keating Labor Government have negotiated the nature and the implementation of its industrial relations reforms with the trade union movement. A consensus about change and the speed of change has been reached. The reform cornerstone is the phased introduction of enterprise bargaining (Australia, EPAC, 1992c). The public sector has not been isolated from this reform thrust.

**Vocational Education and Training Reforms.** A major micro-economic reform issue that has impacted on the public sector is vocational education and training. In the late 1980s and early 1990s two initiatives were taken. The first was the introduction of the Training Guarantee Levy, with effect from 1 July 1990, which taxed both public and private sector employers if they did not spend 1.0 percent of their pay-rolls on training. This levy was subsequently increased to 1.5 percent, as from 1 July 1992, before it was suspended for two years from 1 July 1994. The second was the creation of Vocational Education and Training System and the Australian Vocational Certificate Training System, designed to establish the conditions and machinery to make vocational education and training more relevant and informative (Ramsey, 1993). This was to ensure that it contributed to effective learning and enhanced work performance in an environment that places stress on continuous development and multi-skilling; and to facilitate the credentialisation of that learning through credit recognition, transfer and accumulation, at the centre of which is the National Training Board (Australia, DEET, 1992; Australia, ESFC-NBEET, 1992; Australia, Parliament, 1991b). This brought to the APS competency-based training, and its concomitant, staff appraisal.

**Changing Social Values**
Gender Discrimination. The feminist activism that put women on the political agenda in the 1970s produced reform programs under the Hawke Labor Government in the 1980s. Australia gained equal opportunity legislation, adult minimum wages for women, equal pay, affirmative action policies (under the watchful eye of the Affirmative Action Agency (Australia, AAA, 1992). On this front, the public sector was first a laboratory, but has since become a change agent (Australia, Parliament, 1992c; Australia, Prime Minister, 1992).

Ethnic and Racial Discrimination. The acceptance of the broad principles of multiculturalism as a basic philosophical tenet by the Hawke Labor Government installed improved service delivery access and equity as a desired outcome of administrative reform (Prasser 1986; Sanders, 1984). This involved the outlawing of racial and ethnic discrimination and the conferring of special rights on Aborigines and Torres Strait Islanders and on people with non-English speaking backgrounds.

Corruption. Corruption by public officials, elected or otherwise, entered the Australia political agenda towards the end of the 1980s, and sets another context within which the managerialist reforms sit (Kouzmin & Dixon, 1993). It began in Queensland when the Ahern National Party Government (1987-90) set up a public enquiry which led to the exposure in 1989 of widespread and long-established corruption in Queensland. In New South Wales, the Greiner Liberal Coalition Government (1988-92) established the Independent Commission Against Corruption (ICAC) in the face of rumours of corruption during the tenure of the former Labor government, only to find that he was considered by the ICAC to have acted
corruptly over the appointment of a politician to a senior administrative post in 1992 (the so-called Metherall Affair). In Western Australia the saga of WA Inc. (a policy adopted by the Burke Labor Government (1983-87), which involved modelling government enterprise on the corporate sector and the investing by government in the corporate sector (Harman, 1986)), led to criminal charges being laid against senior officials and former politicians and thus to a political scandal for the Dowding Labor Government (1988-90). Scandals and rumours of corruption have also emerged in Victoria and South Australia from the late 1980s, in the face of the financial collapses of major state-run banks. The result of all this public exposure to corruption has ensured that probity remains an important dimension of a government’s public accountability.

**Environmental Protection.** The environmental concerns increasingly expressed in the 1970s, became a focal point of both rhetoric and action by the Hawke Labor Government in the 1980s (McEachern, 1993). Indeed, the public sector was expected to undergo reform that would make it an acceptable a role model for the proper management of the environment. This was translated in the 1980s into a set of specific reform programs, especially with respect to government purchasing practices.

**APS Managerialist Reforms**

The Fraser Liberal-Coalition Government (1975-83), while supporting the important administrative law reforms, largely ignored the movement towards administrative reform, being satisfied to commission internal enquiries in the 1970s (Bland’s Administrative Review Committee) and
early 1980s (Reid’s Review of Commonwealth Administration Committee),
and to pare budgets and tighten up efficiency (Cole, 1979; Nethercote, 1984;
Thompson, 1979). However, towards the end of its tenure in office the
Fraser Liberal-Coalition Government did legislate to make some rather
noteworthy changes to the APS. Under the Public Service Acts
Amendment Act, 1982 the long-standing divisional structure was replaced
by a series of employment categories; relative efficiency became the
principal criteria for promotion; and the appointment and termination of
permanent heads of departments became subject to greater prime
ministerial influence, and their period of tenure was limited to five years,
with re-appointment possible (McMahon, 1984). The 1983 election,
however, overtook the implementation of this legislation.

Well publicised, but relatively minor, scandals (over taxation,
customs, meat inspection, Medicare fraud, and the office of the Solicitor-
General) forced a new interest in the management and performance of the
APS in the early 1980s. The Joint Public Accounts Committee probably
summed up the feeling when it reported in October 1982 that “the
management of the Public Service is not meeting the demands of

Driven by the efforts of a cohort of Labor intellectuals (among others;
Dr Peter Wilenski, Gareth Evans, Dr Neil Blewett), the Hawke-led
Australian Labor Party (ALP) Opposition had became quite evangelical
about APS reform, which it thrust upon the political agenda to became an
important element in the successful 1983 election campaign (ALP, 1983;
Richardson, 1984; Stubbs, 1992: 1-6). The managerialist seeds were destined
to blossom. In Wilenski’s words (1986b: 200):
Economic, social, political and managerial factors came together in the early 1980s to revive the dying embers of the reform initiatives of the 1970s.

The appeal of administrative reform to the ALP was that it offered, in the words of Halligan and Power (1990b: 96) "... a range of mechanisms and techniques for reorganising authority and structures within executive branches" (also Wilenski 1978 & 1986b). It promised "new patterns of political control" (Halligan & Power 1990b: 96) and hence political ascendancy in the power struggle underlying the politics-administration dichotomy, which, given the experience of the Whitlam Labor Government (1972-75), the ALP considered it must achieve if it was to dominate the instruments of governance, both at the federal and state levels (Caiden, 1990: 48; Halligan & Power, 1990b: 96; Hamilton, 1990: 64; Prasser, 1990: 185 & 186-7; Stubbs, 1992: 1-5; Wilenski, 1978, 1983, 1986a & 1986b; Wilenski & Yerbury, 1983). It felt it must be in a position to assert the supremacy of "mandate" over "mandarins" (Aberbach & Rockman, 1988), in order to address the perceived political threat so eloquently described, long ago, by Marx (1957: 28):

... the career bureaucracy, presuming to be rational instead of partisan, may come to show callousness in matters of constitutional principle, disdain for party contest, unresponsiveness to changing political leadership, arrogance in trusting its own judgment, and, ultimately, a yen for trying its own hand at governing when there is a political stalemate. The principle of institutional neutrality can be perverted into a neutralisation that commits the civil servant to nothing but astute defence of his public status.
To achieve such political ascendancy required the re-asserting of the dominance of Ministers, by reducing the authority of senior public servants and by allowing Ministers to engage advisers selected for their political orientation (Mascarenhas, 1990b: 321; also Campbell & Halligan, 1992; Jarman & Kouzmin, 1993).

Upon the election of the Hawke Labor Government in 1983 the APS become a focal point for reform that embraced, but eventually went beyond, the principles and values of economic rationalism (Blandy, 1992; Carroll & Manne, 1991; Emy & Hughes, 1991: 353 & 362-6; Horne, 1992; Humburger, 1991; Pusey, 1991; Yeatman, 1990b: 1-12). The managerialist reform agenda was defined in a White Paper (Australia, Minister Assisting the Prime Minister on Public Service Matters, 1983) released soon after its election in 1983. This blue print for reform received largely uncritical acceptance from within the APS (Stubbs, 1992: 1-1; also Caiden, 1990: 43; also Schwartz, 1994). Gradually and increasingly the APS adopted both the rhetoric, and the reality, of managerialism. A central tenet of which was the separation of a value-laden political system from a value-free ("objective") administrative system (Ostrom, 1973); a seaming of Waldo's (1984: 128) "seamless web of discretion and action"; a denial of the reality of bureaucratic realpolitik (March & Olsen, 1983: 282-3; also Riggs, 1989). To achieve this the trilogy of executive governance, the constituent political, administrative and managerial systems (Halligan & Power, 1990a: 278), had to became focused on goal-oriented policy planning, implementation and evaluation. The modus operandi involved defining, measuring and improving performance of government and embraced program budgeting, program evaluation, personnel appraisal and, indeed, all the administrative minutiae mentioned by earlier managerialist advocates elsewhere, including former US President Herbert Hoover (1949 & 1955), in
the spirit of another former US President, Woodrow Wilson (1941: 481), who argued that the administrative branch of government should be organised around apolitical goals and that:

it is the object of administrative study to discover, first, what government can properly and successfully do, and, second, how it can do these proper things with the utmost possible efficiency and the least possible cost either of money or energy [also Quade, 1975; Schick, 1971].


Reform rationale is the product of disadvantageous comparisons of the level of efficiency achieved by the public sector in comparison with the private sector, a comparison often made without acknowledgment of the intrinsic differences between the two sectors (Curtis, 1980; Driscoll et al., 1979; Goodsell, 1983; Murray, 1975; Rainey et al., 1976; Rogers 1981). These differences reflect how a public sector operates within a representative democracy (Etzioni-Halevy, 1983; Jackson, 1988; Self, 1977: 281; Wass, 1989). They reflect the public sector's need to achieve an appropriate balance between continuity-stability, and change-action (Goodsell, 1989a; McCool, 1989; Radin & Cooper, 1989) and amongst rational management, political control and community participation. There is thus a set of expectations imposed upon the public sector:

- that access to public resources and opportunities and the distribution of public obligations and burdens should be just and equitable, as defined by government policy, even at the expense of efficiency (Harris, 1990; Wilenski, 1980-81);
• that politicians should remain the ultimate controllers of administrative decisions, with the right to over-rule or amend the decisions of administrators (Wilenski, 1986b: 55-7; also Aberbach et al., 1991), even with respect to the commercial or quasi-commercial activities;

• that service recipients (including those who are subject to administrative regulation) should have their rights protected against adverse administrative actions by procedural due process (by judicial and merit review as appropriate), even with respect to the commercial or quasi-commercial activities and even if this results in procedural complexity and decision delays and thus attendant action inefficiencies;

• that the dictates of the annual process of budgeting and appropriation should prevail, even for commercial or quasi-commercial activities;

• that there should be clearly documented lines of delegated responsibility and authority from Parliament to Ministers and to senior public servants, with corresponding lines of accountability back to Parliament, even for commercial or quasi-commercial activities; and

• that there should be independent audit and review mechanisms reporting to Parliament on the activities of government, even for commercial or quasi-commercial activities.
These expectations, which are amongst the cornerstones of a representative democracy, place a burden on the public sector that is not imposed on the private sector. Public administration can never be separated from its host polity (Rosenbloom, 1983; Rosenthal, 1990; Van Riper, 1984). Indeed any favouring of managerialist values over political desires raises a variety of normative issues surrounding accountability in a Westminster-type politico-administrative system (Coghill, 1986), at the heart of which is the meaning of representative democracy (Jackson, 1988; Thompson, E., 1991).

Because the bureaucracy is part of the support system for the political arm of executive government, its less than favourable popular image is reinforced by the negative community values that surround politicians (Page, 1988). As if to exploit this popular perception, the economic rationalists' rhetoric argues that traditional public administration values, such as job security, career service and administrative due process, are no longer affordable in a world dominated by chronic budget deficits and worrying public debts. At the extreme, they assert, as an act of faith, that anything the public sector does the private sector can do cheaper and better (Hill, 1986; Hogan, 1988; Porter, 1986). Economists have long been at the forefront of the administrative reform movement, seeking a more cost-effective bureaucracy and resisting the subversive tactics of the perceived traditionalists within and without the bureaucracy who seek to balance change with continuity (Bolitho, 1986; Fitzgerald, 1990; Sadler, 1987; Wettenhall, 1986a, 1986b & 1986c; but see Paterson, 1988).

In essence, the APS reformers wanted "management" to replace "administration", the distinction between the two being defined by Johnson (1983: 171) as follows:
Management will simply be taken in its broadest sense as the activity of organising for the efficient and effective performance of predetermined tasks . . . [O]ne feature distinguishing management in this broad sense from administration is the emphasis on using people . . . and on efficiency in the transformation of material resources . . . into outputs or results. Another feature is the stress on defining and, where possible, quantifying tasks or objectives themselves. In contrast, administration suggests looking after certain requirements and the effective performance of tasks according to whatever may be the operating conditions prescribed. There is less overt emphasis on the personnel factor and the explicit definition of objectives, as well as less emphasis on the efficient transformation of resources into outputs. Indeed, it is doubtful whether administration as traditionally conceived had much use for the notion of outputs at all, though it plainly embodied the achievement of effects and results.

Yet as Halligan (1988:76, n. 33) points out:

The dominance of an administrative or managerial paradigm affects the way [administrative, managerial and political] functions are performed [by senior public servants] but does not necessarily dispense with the need for that type of activity in the public sector (also Halligan & Power, 1990a).

He concludes (1988: 71) that

The responsibilities of the Commonwealth will continue to require the maintenance of significant administrative and policy roles. Significant segments of the public service will continue to
be administrative in character and not readily managerialised. While they will have to operate within the new managerial framework, they will not be functioning as managers [also Halligan & Power, 1992].

The managerialist administrative reforms that emerged in the 1980s were thus in response to the ALP's need to dominate the machinery of government and to demonstrate that the public sector could be as cost-effective as the private sector, in the face of the popular perception that public servants were operating in an administrative system that neither encouraged nor made possible the meeting of contemporary community needs (Codd, 1991; Wilenski, 1986a & 1986b). Public servants at all levels, but particularly at the middle and executive levels, were confronted with a bewildering range of administration reforms (Australia, MAB-MIAC Task Force on Management Improvement, 1992a, 1992b & 1993; Beale, 1985; Caiden 1991c; Codd, 1991; Considine, 1987, 1990a & 1990b; Corbett, 1992; Dawkins, 1985; Dixon, 1987b, 1988; Dixon & Harding, 1989; Dixon & Kouzmin, 1994a; Halligan, 1988; Howard, J. [R.], 1986a; Keating, 1988 & 1989; Nethercote, 1984 & 1986; Peachment, 1986; Uhr, 1990a & 1990b; Wilenski, 1986a). The reform initiated were, collectively, intended to make public servants (Dixon 1988a):

- *more accountable*; as a result of being more closely and more publicly scrutinised;

- *less discriminatory in their personnel management decisions and actions*; as a result of legal and organisational constraints being imposed on them;
• *more participative in their decision-making styles*; as a result of legal and organisational requirements to develop consultative structures and processes;

• *more efficient and effective in their use of resources*; as a result of being held more personally accountable for their management decisions and actions by being subjected to greater pressure from market forces, including even private sector competition, and ever greater stringency in the allocation of budgetary resources by the Department of Finance (Australia, PSC &DoF, 1984); and

• *more customer-oriented*; as a result of being confronted with greater pressure from market forces

**Financial Management Reforms**

The specific objectives of the financial management reforms were:

• to ensure that public servants have a strategic focus on the policy objectives of government;

• to provide public servants with a financial management framework that linked the strategic and operational levels of management; and

• to generate better information on Portfolio and program outcomes, expenditure and performance for public servants and those to whom they were accountable.
The cornerstones of the financial management reforms introduced from 1984 were program budgeting (relating program expenditures to program performance (Grifel, 1993)) and planning (defining organisational goals and objectives, articulating objective-achievement strategies and tactics, allocating resources and providing a basis for performance monitoring and review (DuPont-Morales & Harris, 1993; Glasson & Goode, 1988; Holmes, 1989; Manning, 1991)), both of which became an integral part of the Financial Management Improvement Program (FMIP) (Adams, 1986; Australia, PSB & DoF, 1984; Australia DoF, 1987 & 1988; Barrett, 1988b; Block, 1987; Cole, 1988a; Cullen, 1989; Forster & Wannan, 1990; Glasson & Goode, 1988; Gleeson, 1986; Ignazak, 1987; Keating, 1988 & 1990a; Pugh, 1987; Schick, 1990; Wannan et al., 1992: 92-105; Yeatman, 1986 & 1987a). Encompassed were the reform of (Keating & Holmes, 1990; Australia, DoF, 1988a, 1992a & 1992d):

- the budgetary and regulatory environment; and
- agency (corporate) management environment.

The Budgetary and Regulatory Environment Reforms. These focused on the development of regulatory procedures that would encourage enhanced management efficiency and effectiveness, while increasing responsibility and accountability (Australia, DoF, 1993a: 9-10; Davis, 1989; Howard, J. [R.], 1990; Keating, 1990b & 1990c; Keating & Holmes, 1990; Keating & Rosalky, 1990). The major thrust was the introduction of the running cost system in the 1987-88 financial year (Australia, DoF, 1989, 1992a & 1992d). This, plus subsequent initiatives, have given agencies, especially their executive managers, greater flexibility in the management of their resources (Australia, MAB-MIAC Task Force on Management Improvement, 1992b:...
48), while ensuring that they were held accountable for their internal administrative (as distinct from program) expenditures (Australia, DoF, 1989 & 1992d; Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 49; Rothman & Thornton, 1990).

A number of initiatives were thus involved. First, there was an integration of the forward estimating process with budgeting and hence accountability processes. Secondly, there was an integration of salary, administrative and operational expenses, including property operating expenses, and minor capital works into a single appropriation for running costs, which represents the full current cost of providing the government services for which an agency is responsible. Thirdly, agencies were required to operate within the cash limits of their inflation-adjusted budgets, unless their are exceptional circumstances. Fourthly, a simple approach to transferring funds between notional salary and administrative expense item was introduced. Fifthly, Ministers were allowed more discretion, and thus more financial manoeuvrability than would normally be available within the budgeting process by establishing Portfolio budgeting, which gives a Minister Portfolio targets with respect to outlays, saving and new policy and required to present Cabinet with prioritised policy recommendations consistent with those targets, including offsetting savings to finance any new policies (Australia, DoF, 1992a; Brook, 1992; Codd, 1990b; Walsh, 1990). Sixthly, agencies were given more discretion than would normally be available within the budget process, and thus more financial manoeuvrability, when proposals were covered in advance by a resource agreement, ("... an agreement for the provision of resources in return for some action, an undertaking to act, or some consideration" (Australia, MAB-MIAC, 1991c: ix)) which sought explicitly to link inputs, outputs and outcomes for services, so that increased efficiency and delivery
can be assessed (Australia, DoF, 1992d & 1993f; Australia, MAB-MIAC, 1991c; Australia, Parliament, 1990c: 38-39) and which may be either between a Portfolio or agency and the Department of Finance or within a Portfolio), by being able:

- to redistribute any Portfolio expenditure savings by permitting an agency to “carry forward” to, or receive an “advance from”, the following financial year up to six percent of unspent administrative funds, with multi-year carry-overs;

- to borrow against future budgetary allocations, so as be able to make one-off item purchases, to provide addition resources to generate potential future efficiency gains or to fund redundancies;

- to meet the demand for services, by linking the supply of resources to the level of service demand;

- to plan in the context of guaranteed funding;

- to manage their property holdings, by the agreed funding of on-going property requirements upon the completion of a property scrutiny;

- to implement workplace bargaining agreements, by the agreed funding of workplace bargaining agreement that have been lodged with the Department of Industrial Relations (Donald, 1993) and that are subject to a Workplace Bargaining Resource Agreement (Australia, DoF, 1994c); or
• to retain revenue derived from the sales of goods and services.

Seventhly, agencies were encouraged to absorb minor cost increases by establishing thresholds under which requests for adjustments to running cost budgets would not be considered. Eighthly, minor capital expenditures were allowed to be included in running cost appropriations. Ninthly, the proceeds received from the following sources could be credited to agency running cost appropriations (Australia, DoF Estimates Memoranda 1989/17: 1):

• "from the sale, leasing or hiring out of, or other dealings with, goods or personal property;"

• "from the sale of real property used for the purpose of providing staff residential accommodation or for the leasing of real property for that purpose; or"

• "from the provision of services".

Finally, an efficiency dividend was imposed, initially averaging 1.25 percent of an agency’s running cost forward estimates, which represents the target value of the efficiency improvements expected from an agency, and which correspondingly reduces that agency’s subsequent year’s running cost forward estimates. Its abolition was recommended by one Parliamentary Committee on the grounds that it is difficult for smaller agencies to achieve and it demoralises staff (Australia, Parliament, 1992b: 104-5), a view that is accepted by both middle and executive management within the APS, who consider that efficiency dividends are not effective in realising efficiency and productivity improvements (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 48). This
initiative has recently been reviewed by the House of Representatives Standing Committee on Banking, Finance and Public Administration (Australia, DoF, 1993c & 1994b: 11; Davis, 1994), the major recommendations of which were the adoption of a new rate of 1.0 percent and the exemption of deemed appropriation and other external receipts. The government generally agreed to the Committee's recommendation, but not its exemption recommendation, although some flexibility has now been given to commercialising agencies (Australia, DoF, 1994b: 11).

The phased introduction of accrual accounting was announced by the Minister for Finance in November 1992 as the next phase of financial reform, one which would shift government accounting from a cash-orientation (whereby expenditure is brought to account only after it has been occurred) to one which shows the effect of decisions that involve future expenditure (Shand, 1990). Under the accrual accounting reform the financial management information systems would generate accounting reports that reflect the financial effects of events and transactions at the time those events or transactions occur, rather than when the related cash transaction occurs (Australia, DoF, 1993d; McPhee, 1993b). This form of financial reporting (Broadhurst & Guthrie, 1992):

- identifies full program costs;
- facilitates cost control and efficiency monitoring;
- provides a financial basis for the full-cost pricing of commercialised services; and
- provides an agency with both a balance sheet (assets and liabilities) perspective, which facilitates better assets
management; and a profit and loss perspective, which facilitates a better matching of revenue and costs.

It is expected that all APS agencies will be reporting on an accrual basis for the 1994-95 financial year (Australia, DoF, 1992e: 6 & 9; 1993a 6-8 & 1993d; Barrett, 1993a). This change will require APS agencies to report on:

- revenues and expenses, in the form of Operating Statements detailing the net cost of providing services;
- assets and liabilities, in the form of Statements of Assets and Liabilities;
- program performance, in the form of a Statement of Program Performance; and
- cash flows, in the form of a Statement of Cash Flows.

Thus the use of accrual-based financial statements will supplement not replace cash accounting, which remains fundamental to the budgeting and appropriation processes. It is also acknowledged that these financial statements will not be comparable to their private sector counterparts because agencies are not profit-making ventures, do not need to recover all their accrued costs (such as depreciation and accrued employee benefits), and do not depend for their continued operation on being solvent (Australia, DoF, 1993a: 7). It remains to be seen whether this development in financial management leads to the preparation and presentation of consolidated (or "whole of government") accrual accounts, as has been promised by the New South Wales State Government (ASCPA, 1993).

Purchasing reforms, which have also added to the flexibilities in financial management, were aimed at:
• promoting competitive tendering in an open and transparent decision environment (Australian Business Council, 1989);

• promoting environmental responsibility;

• making more efficient and effective use of public monies: and

• maximising opportunities for Australian and New Zealand industry to compete for government business.

Of particular importance were the introduction of the Australian Government Corporation Credit Card in 1987, on the recommendation of the Efficiency Scrutiny of the Processing of Accounts working group, to streamline minor acquisitions (Australia, DAS, 1992a & 1992b; Australia, DoF, 1992a: 52-3) and the devolution of purchasing responsibilities to APS agencies in 1989 (Hawke, A., 1989), subject to compliance with Department of Administrative Services (DAS) (Australia, DAS, 1989- & 1992c) and Department of Finance (Australia, DoF, 1992a) regulations and guidelines. Out-sourcing, especially of information technology services previously delivered in-house, has become a strategic option for management, in the light of the Hawke Labor Government's Industry Statement released in March 1991, which stated, in part:

... subject to cost effectiveness, agency efficiency and public policy considerations, agencies are to test the market for out-sourcing new and existing service requirements as an alternative to the maintenance of in-house capabilities. This is done with a view to achieving maximum out-sourcing, subject to value for money

This a path that has been explored by the Department of Veteran's Affairs (Directions in Government, 1992: 20 & 22).

The APS Agency Management Environment Reforms. These had as their main thrust the introduction of management-by-objectives (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 519), which may be defined as a system of management designed to secure the commitment of managers to organisational goals, expressed in measurable terms, so that managers can better assess and control not only their own but also their organisation's performance (Carroll & Tosi, 1973). The intent is to focus performance evaluation on results, and the process involves the joint establishment of objectives and the development of action plans for their attainment (for a critique of its application to the public sector see Rose, 1973).

The Program Management and Budgeting; (PMB) framework required agencies to (Australia, Budget, 1988a; Australia, DoF, 1992e; Fletcher, 1991; Ives, 1990; Keating, 1989 &1990a):

- articulate outcome-related objectives;
- develop program structures that related activities to governmental and agency objectives;
- specify program performance benchmarks;
- report on program performance against stated objectives and budgeted expenditures; and
- undertake systematic periodic program evaluation.
Keating (1988: 8) has noted that central agencies have dictated to line agencies that they develop a plethora of compatible, if not integrated, plans, to meet separate policy objectives. In order to translate government policies into fiscal action, agency have to prepare the following plans and strategy documents for integration into their budgeting (including forward and additional estimating) procedures: divisional and/or program plans; information technology strategy plans; equal employment opportunity plans, staff development and industrial democracy plans; Portfolio access and equity plans; Portfolio and agency evaluation plans; audit plans; freedom of information plans; staff redeployment and rehabilitation plans; human resource development strategy plans; middle management development plans; asset management strategy plans; energy usage plans; Aboriginal and Torres Straight Islander plans; not too mention strategic documents on Senior Executive Service (SES) and senior officer performance appraisal; annual reporting requirements; FMIP; office-based structures; the Structural Efficiency Principle; study bank; property reforms; travel reforms, and workplace bargaining (Australia, MAB, Task Force, 1992a: 380). Little wonder that the Task Force on Management Improvement (set up in April 1992 to assess the administrative reforms by the Management Advisory Board (MAB) (a statutory body established under the Public Service Act in 1987 to advise government on public service management issues, chaired by the Secretary of the Department of Prime Minister and Cabinet) and with the guidance of the Management Improvement Advisory Committee (MIAC) (established in 1989 to assist the MAB to carry out intensive reviews of management in the public service), was able to conclude (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 381-2): "the very proliferation of planning requirements to meet separate policy objectives might cause
overlap or inconsistency” and, a little later, “planning is substantially more advanced [in agencies] than reporting on performance”.

Under the FMIP many central financial controls were relaxed, most notably in relation to:

- charging for services and the retention of revenues received;
- accounts processing procedures;
- procurement and purchasing practices; and
- cash management (involving the Australian Government Credit Card, direct crediting, and local banking facilities).

This has resulted in major intra-agency rearrangements with concomitant changes in financial and management accountability (Australia, ANAO, 1991a, 1991b & 1992d). The success of this process of delegation of powers from central co-ordinating agencies to line departments, and further to appropriate levels of departmental program operation, was the focus of a number of reviews conducted by the Australian National Audit Office in 1992. It found that, overall, agencies had reviewed, revised and re-issued their instruments of delegation and their delegation manuals quite satisfactorily; that such changes oriented organisational structures closer to the user of services; but that the changes had not always been adequately explained to the affected staff, which meant that they were sometimes not fully aware of their delegation and related responsibilities (Australia, ANAO, 1993: 323-5).

Fraud became important issue in the context of this devolved financial management environment (Sherman, 1991), following a major
review of systems for dealing with fraud in the mid-1980s (Grobosky, 1986; Rose, 1988; Sarre, 1988). Of particular concern were the major risk areas of the collection of taxes and fees, the payment of benefits, the procurement of goods and services, and the payment of grants. Thus integrated into the implementation of the FMIP was a thrust towards better risk management, of which fraud control was an integral part.

Traditionally, the APS has been preoccupied with avoiding mistakes, which has produced a cultural bias for administrative systems that promoted conformity and maintained control, so as to produced error-free administration. In such an environment, public servants behaved as risk avoiders or risk minimisers, regardless of the costs and effort involved (Australia, Parliament, 1990c: 10; Barrett, 1988c). The APS is now faced with the challenge of changing this culture to permit innovation and to achieve client satisfaction, without making significantly more mistakes. Public servants are now expected, before making a decision and acting upon it, to assess the probability incidence of any risk associated with that decision (embracing both the probability distribution and the severity of the risk) and the acceptability of that assessed risk (Dobell, 1989; Hadden, 1982; Lowrance, 1976; Rowe, 1977), all with a lively sense of personal answerability (Lucas, 1993). They are expected to manage risk by making deliberate choices as to where, and to what extent, effort is applied to avoid an unacceptable or intolerable outcome flowing from an administrative decision:

... risk management techniques ... involve a more explicit assessment of the risks involved in taking a particular decision. Risk management recognises that mistakes are made - but should not be repeatedly made. That would be risky management (Australia, MAB-MIAC, 1991b: 7)
A senior public servant, Mr David Shand (1989a: 7) introduced a sobering note on the envisaged risk management approach:

[Ministers] need to be willing to accept the publicity and the political costs of occasional slip-ups or failures. If managers are to perform they may need to stick their necks out, with the possibility that in some cases there will be failures, as is normal commercial practice (also Coates, 1991).

This re-orientation towards risk management, as distinct from risk avoidance or minimisation, has also generated some debate on the grounds that it is shifting the balance between efficiency and effectiveness, on the one hand, and compliance, probity and fairness on the other. The Auditor-General has commented publicly on the somewhat rapid acceptance of the ideal of risk management by the APS, noting that "... there may have been slower recognition of the essentiality of its proper management" (Taylor, 1990: 6). This view is shared by the House of Representatives Standing Committee on Finance and Public Administration (Australia, Parliament, 1990c: 10-12), although clearly not by the Department of Finance (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 182).

Asset management, embracing the totality of an organisation's tangible and intangible resources, has also gained greater importance. It has become an integral part of corporate and strategic planning and financial management since the early 1990s (Barrett, 1991a; Burns, 1991; De Rohan, 1991; Flutter, 1991; Kirkby-Jones, 1991; Williams, 1991). Public servants are now under pressure to improve their asset management performance, especially in those agencies commercialising their core activities, which are already required to produce financial reports on an accrual basis (Australia, DoF, 1991b & 1991c; Australia, MAB-MIAC, 1991a; Broadhurst & Guthrie,
1992). This pressure has become more widespread with the phased introduction of accrual accounting, which has led to its adopted by all APS agencies for the 1993-94 financial year (McPhee, 1993a), which will enable more effective use to be made of physical and financial resources, and will permit enhanced accountability of public servants for their management performance and of government for its provision of better value for money (Australia, DoF, 1992a & 1993d; Churchill, 1992: 18-19)

Reform Implementation. The perceptions of executive management within the APS, as identified by the MAB-MIAC Task Force on Management Improvement in mid-1992, is that budgetary and regulatory reforms have been almost universally adopted with in the APS, although implementation is perceived to be somewhat more advanced, first, in the large agencies, as compared with the medium and, more particularly, the small agencies, and secondly, in the commercial-oriented agencies, as compared with the program-delivery agencies and, more particularly, the central agencies (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 574). The agency financial management reforms are perceived to have been somewhat less universally adopted, especially in relation to the introduction of management information systems and contracting-out. Their implementation is perceived to be somewhat more advanced, first, in the large agencies, as compared with the medium and, more particularly, the small agencies; and secondly, in the commercial-oriented agencies, as compared with the program-delivery agencies and, more particularly, the central agencies (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 575 & 578). Middle managers would seem to be less convinced, for, overall, they perceive a significantly lesser degree of budgetary and regulatory reform implementation than do

On the financial reforms, the MAB-MIAC Task Force on Management Improvement has concluded (1992a: 268):

Some aspects of financial and resource management still need attention, particularly the provision of incentives for individuals to act economically and some enhancement of skills at levels below the SES,

**Human Resource Management Reforms**

The specific objectives of the human resource management reforms were to:

- reinforce ministerial control over, and responsibility for, the APS (Enfield, 1989: 167-8);

- inculcate a set of values and norms that reinforces a performance orientation within the APS (for a discussion of this relationship see Jans & Frazer-Jans, 1991; Sinclair, 1991; but see also McCoy & McCoy, 1990);

- require public servants to adopt a more strategic approach to human resource management;

- link wages policy to improvements in productivity; and

- reduce restrictive work and management practices that inhibited productivity growth and the implementation of
occupational health and safety, access and equity, and equal employment opportunity strategies.

The cornerstones of the human resource management reforms introduced from 1984 were:

- the integration of public servants into Australia's overall industrial relations framework;
- the restructuring of the APS classification system; and
- the efforts to turn alienated, unproductive and dissatisfied public servants into involved, productive and satisfied ones.

**Industrial Relations Reforms.** As a precursor to major personnel management practices reform came contextual industrial relations reforms (Dickenson, 1984, 1986 & 1988; Glen, 1986; Nethercote, 1984 & 1986). In 1984 public servants were integrated into Australia's overall industrial relations framework, as a result responsibility for determining pay and conditions for the APS being transferred from the Public Service Arbitrator to the centralised wage fixation body, then the Conciliation and Arbitration Commission (Willis, 1988). As a result, the APS was made subject to government industrial and wages policies, including the adoption of the in the National Wage Case decision of August 1988 (Wannan et al., 1992: 139-49). This linked wages policy to improvements in efficiency, multi-skilling and career paths, which in turn, led to:

- award restructuring - the restructuring of pay and conditions, so as to provide greater flexibility, to improve mobility and career choices, and to reduce personnel costs, by:
• broadbanding previously separate manual, technical and professional grades;

• modernising classifications; and

• varying working conditions;

• personnel practices reform, namely:
  
  • the adopting of the principle of promotion-to-level, whereby employees are promoted or transferred on merit to a position in a group of jobs in the same classification, all of which have task commonality, and then over time re-allocated different jobs within that job family; and

  • the introducing of performance appraisal linked to performance-based pay, designed to increase productivity and reduce discriminatory practices, and, more recently; and

  • workplace bargaining and the negotiation of productivity agreements - the linking of future wage increases to productivity growth.

The APS is now confronting further dramatic change in its industrial relations environment (Australia, Parliament, 1992b: 185-93). The Keating Labor Government has endorsed the principle of productivity bargaining and has chosen a decentralised agency approach to the conduct of workplace bargaining (Weller et al. 1992: 27-8) within the APS. A Cabinet decision on 6 August 1992 provided a framework for this decentralised approach, which involved removing public servants from the centralised
wage fixation process, leaving them to negotiate a two-year workplace agreement on salaries and conditions. The Industrial Relations Commission ratified this S134C Framework Agreement (Improving Productivity, Jobs and Pay in the Australian Public Service 1992-94) on 4 December 1992, under which the government and public service unions agreed on a central set of pay and conditions for all public servants applying for a specific period and on the need to achieve productivity gains by reducing agency running as well as program costs (subject to Cabinet approval), or by increasing revenue (Australia, JCAPS, 1992; Morauta, 1992; Niland et al., 1991). General core pay increases would be provided on the basis of (Australia, Parliament, 1992b: 186):

- service-wide productivity, which has implications for productivity-driven agency efficiency dividends;

- market factors, recruitment and retention considerations; and

- the implementation of APS-wide productive efficiency measures, including:
  
  - Joint Selection Committees;
  
  - permanent part-time work;
  
  - strategies to address absenteeism;
  
  - improved handling of inefficiency;
  
  - competency-based training;
  
  - job security and redeployment; and
  
  - award rationalisation.
The controversial element is that agencies would be able to negotiate agreements for further increases in pay and variations to conditions in terms of agency productivity gains in the context of a Workplace Bargaining Resource Agreement (Australia, DoF, 1994c).

This decentralised approach to workplace bargaining offers the advantage of building an agency's commitment to industrial relations reform by a common sharing of purpose, while at the same time allowing it the determine its own linkages between between productivity and pay, for which it would be both responsible and accountable. Graham (1994) has concluded, soberingly, that public sector workplace agreements have been framed as add-ons to previous industrial awards and, commonly, instigated, sometimes grudgingly, only after a ministerial directive, the presumption being that the industrial awards reflect "best practices." It would seem that there is a residual "narcotic effect" (Butler & Ehrenberg, 1981; Kochan & Baderschneider, 1981) on agency-based collective bargaining of past arbitration practices to be overcome before agencies can undertake effective and responsible bargaining as a vehicle to drive continuous improvement. One Parliamentary Committee has been prompted to recommend that workplace bargaining within the APS be evaluated on an agency-by-agency basis two years after its introduction (Australia, Parliament, 1992b: 192). This decentralised approach to workplace bargaining, by it focus on the linkage of pay and conditions to productivity, has the potential to radically change APS culture, although its implementation will not be without problems (Public Sector Union, 1992).

**Anti-Discrimination and Merit Protection Reforms.** Under the *Public Service Reform Act, 1984*, financial and staffing decisions were integrated; consultative procedures were prescribed for the development of industrial democracy plans involving unions and management; Joint Selection
Committees were introduced; and permanent part-time employment was permitted. Under the Members of Parliament (Staff) Act, 1984 ministerial staff, including consultants (Walter, 1989), could be engaged and even integrated into departmental activities (Wheeler, 1980), under the supervision of the Secretary of the department (Halligan, 1988: 46; Thompson, E., 1991: 135-7). The intended effect of these personnel practice changes were to:

- increase staff mobility and career paths options in terms of individual achievement opportunities, job satisfaction and quality of working life;

- strengthen the principle of merit recruitment and promotion on the basis of fair and open competition (under the watchful eye of the Merit Protection and Review Agency established under the Merit Protection (Australian Government Employees) Act, 1984) (Australia, Parliament, 1992b: 46-50);

- ensure that anti-discrimination measures were introduced (under the auspices of the Racial Discrimination Act, 1975 and the Sex Discrimination Act, 1984) (Sadurski, 1989); and


- all SES vacancies were open to applications from outside the APS;
- contract appointments were possible (Halligan, 1991; Koch, 1991);
- promotions to and within the APS were made by the Public Service Board upon the recommendation of an agency head;
- the Public Service Board had to accept this recommendation except in exceptional circumstances;
- there was no right of appeal against promotion to the SES;
- the Public Service Board was empowered to transfer SES officers between departments, but from 1987 this authority was delegated to agency heads (Australia, PSC, 1992c: 1); and
- SES officers who were not performing satisfactorily or become surplus can be transferred to another position.
Under the *Prime Minister and Cabinet Legislation Amendment Act* 1991, the SES was further restructured into three Bands and an SES (Specialist) category was created.

The SES has been the subject of scrutiny by two Parliamentary Committees in the 1990s, and has been found wanting, especially in terms of recruitment, which is perceived to have resulted in a narrowing of the range of policy advice available to government (Australia, Parliament, 1982, 1990b, 1990a & 1992: 147-9).

**Streamlining Reforms.** There was a significant streamlining of personnel management practices in 1987, under the *Public Service Legislation (Streamlining) Act*, 1986 and the *Administrative Arrangements Act*, 1987 (Kennedy, 1987; Mayoh, 1987; Nethercote, 1986: 8-11), including the introduction of simplified and streamlined provisions in relation to discipline, promotions, promotion appeals and higher duties. These reforms sit within the context of the structural reforms that devolved responsibility for personnel management to individual agencies, which were also encouraged to further devolve and decentralise decision-making to managers who are best placed, within the organisational structure or geographically, to make particular decisions (Australia, MAB-MIAC 1991e: 1 & 1992a).

**The Structural Efficiency Principle Reforms.** In November 1887 agreement was reached with the public sector unions, within the setting of the Structural Efficiency Principle, for a major classification restructuring within the APS. This involved the introduction of a single ten-level General Service Officer (GSO) administrative structure that integrated over 1,760 separate classifications of employment, under 500 active awards
involving 48 trade unions (Australia, DoF, 1992i; Hunt & Meech 1991: 444). This arrangement aimed to reduce restrictive work and management practices that inhibited productivity growth and to ensure the implementation of:

- occupational health and safety strategies (under the *Occupational Health and Safety (Commonwealth Employees) Act, 1991*;)

- access and equity strategies (under the watchful eye of the Office of Multicultural Affairs in the Department of Prime Minister and Cabinet); and


It sought to create a workplace environment that enabled all employees to reach their full potential in pursuit of organisational goals, by:

- reducing rigidities in job structures;

- facilitating greater mobility and flexibility;

- enhancing career structures;

- integrating equal employment opportunity principles into management practices;

- reducing equal opportunity target group segmentation; and

- lowering levels of decision-making and control.
Further wide-ranging initiatives were introduced in the early 1990s in order to improve APS recruitment, staff appraisal, human resource development (Australia, MAB-MIAC 1993d), career paths, and supervisory and management practices. These included the creation of new classifications for:

- middle managers just below the SES (the Senior Officer Structure);
- Information Technology Officers;
- Technical Officers;
- General Service Officers; and
- Professional Officers.

These classification structures are based on identified core competencies (Hunt & Meech, 1991: 444). Core competencies and competency standards have been developed by the Public Service Commission across a broad range of occupational classifications (Australia, PSC, 1992d), which have been reviewed by agencies, so as to tailor them to fit their own specific requirements. This has been followed by the introduction career development and planning reviews, involving staff appraisals and the use of individual development plans as mechanisms for improving workplace practices (Australia, PSC, 1992a). At the Senior Officer levels this takes place, under a 1990 industrial agreement, by means of a performance management system that links budget and management planning to the development of individual Performance Agreements which, upon their execution, facilitates competency-oriented performance appraisal which, as from 1992, is the basis not only for the payment of performance bonuses (Greene & Scott, 1991: 425) which, of course, prevents further wage
escalation that might have eventually meant that Senior Officer grade salaries encroached upon the sacrosanct SES salary scales, but also for the provision of competency-based human resource development opportunities.

Performance Agreements for middle managers (Senior Officer level staff) must be developed in accordance with PSC guidelines (Australia, PSC, 1989c) under which performance reporting is on the basis of five-to-eight performance targets, expressed in output terms, with each target being assigned a relative importance (or weighting) expressed as a percentage summing to 100 for all targets. These are negotiated to determine what is expected to be achieved by a particular middle manager. The payment of performance bonuses was introduced in the 1992 financial year to recognise and reward excellence in middle management performance, based on individual appraisal against negotiated performance targets, in accordance with the PSC’s service-wide five-point performance-rating scale (from “less than competent” (rating 1), to “competent” (ratings 2 or 3), to “highly competent” (ratings 4 or 5) (Australia, PSC, 1989c: attachment B; also Coates, 1990; Wood, 1991; for a critical appraisal of this approach see Balkin & Gomez-Mejia, 1987), so as to determine which of the five levels of performance merit payment applies, subject to moderation. The results of any performance appraisal and the resultant performance bonuses paid are not be subject to public scrutiny. While that determination itself cannot be appealed against, a grievance about the process is handled in the agency in the first instance, and, if not resolved, it can be taken to the Merit Protection Review Agency.

At the executive management (SES) level enhanced management performance became the focus of Performance Agreements, first introduced in the early 1990s, which embrace a confidential performance appraisal,
under PSC Guidelines (Australia, PSC, 1989c; Smith, 1989; Stubs, 1992),
leading on to the provision of agreed performance-based human resource
development opportunities and, as from the 1993 financial year, to the
payment of performance bonuses (Australia, Parliament, 1990a: 3 & 1990b:
83; Stubbs, 1992). These Performance Agreements constitute one of
organisational arrangements (incentives, sanctions and monitoring
processes) set in place to minimise the costs of the undesirable executive
management behaviour and represent for each executive manager the "... mutually agreed statement of work objectives, indicators of achievement of
these tasks, and expected standards of performance" (Australia, PSC, 1989c:
36), with work performance and any payment of such bonuses, being
judged on a five-point performance-rating scale (from "less than
competent" (rating 1), to "adequate" (rating 2), to "competent" (ratings 3), to
"above competent" (ratings 4), to "outstanding" (rating 5)) (Australia, PSC,
1989c: attachment B; Coates, 1990). Since its inception, the implementation
of performance-based pay has been problematic, largely because of
employee opposition resulting in mistrust and a perceived lack of fairness
and equity. One agency, the Australian Taxation Office, has abandoned it
entirely (The Canberra Times, 3 July 1993: 12). Another, the Department of
Transport and Communications has been forced, because of its
embarrassingly inept management of the government's pay television
tender, to provide some managers involved with "adverse reports" that
would result in them suffering pay cuts (The Weekend Australian, 7-8
August 1993: 3).

On the issue of performance pay, perceptions and opinions differ. Staff
perceptions within the APS, as identified by the MAB-MIAC Task Force on
Management Improvement in mid-1992, are, overall, polarised about
whether it increases organisational performance, with most middle and

The Senate Standing Committee on Finance and Public Administration found in May 1990 the idea of performance pay somewhat before its time, recommending that more research be done into its likely costs and benefits and into how it should be implementation (Australia, Parliament, 1990a: v). It is now the subject of a further inquiry by that parliamentary Committee and by the Auditor-General, both forums focusing on how well agencies have implemented the guidelines, what sort of discipline they have exercised during the process and whether adequate performance agreements have been executed.

**Reforms in the Treatment of “Under-performing” Public Servants.** Even though inefficiency became grounds for redeployment and retirement under the Public Service and Statutory Authority Amendment Act, 1985, the issue of “under-performing” public servants emerged as a significant human resource management policy issue only towards the end of the 1980s, in the face of the refocusing of the APS towards achieving results through people, especially in the context of commercialisation (Australia, Parliament, 1992b: xvi; Australia, MAB-MIAC Task Force on management Improvement, 1992a: 186-9). A position paper published jointly by the MAB and the MIAC (Australia, MAB-MIAC, 1992b) suggests that formal procedures and grievance mechanisms are lengthy, complex and, due to the extant administrative law regime, legalistic. Little wonder the Attorney-General’s Department has observed that it has difficulties

"... convincing line managers that the time and effort required to meet the merit and equity overlays of the career public service
are preferable to the disadvantages of not dealing effectively with under-performing staff (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 64).

The reforms initiated by the *Public Service Legislation (Streamlining Act)*, 1987, which gave agency heads more authority to demote or retire under-performing staff, were an attempt to improve performance management practices (Australia, MAB-MIAC, 1992b; also Australia, Parliament, 1992b: 68-73; Beale, 1986).

What has emerged is a view that there is a need to challenge the often unspoken beliefs within the APS that have traditionally influenced development of people management policies and procedures, in particular (Australia, MAB-MIAC, 1992b):

- the balance afforded to individual public servants' rights as against that their obligations (also Linkenbagh, 1992);

- the extent of effective tenure, given the popular perceptions that a job in the APS is a job for life, regardless of performance;

- the culturally-supported belief that once a public servant has reached a particular level, their salary should not be reduced within their classification; and

- the level of accountability for staff performance of the line manager (Australia, MAB-MIAC, 1991d & 1993c), given the resigned acceptance by some managers that all agencies carry their share of under-performers because the benefits of addressing the issue are not worth the cost.
The greatest challenge yet to be faced is, thus, that of achieving a shift in values and norms that reinforces a performance orientation, with a consequential shift in behaviour and attitudes of both staff and supervisors in relation to the management of performance, involving the use of effective behavioural-based staff appraisal (US, GAO, 1989) as a performance-enhancement instrument. This requires a more positive trusting environment for both the management and staff, so that undesirable work behaviours can be identified, future work performance standards can be negotiated, a plan of action can be developed, and management and organisational support (counselling, coaching and training) can be arranged (Dorfman et al., 1986; Finn & Fontaine, 1984; Riccucci, 1988; Schneier et al., 1986).

Reform Implementation. The perceptions of executive management within the APS, as identified by the MAB-MIAC Task Force on Management Improvement in mid-1992, is that the implementation of the human resource management reforms with in the APS has been patchy (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 577 & 579). They believe that the implementation of some reforms is almost universal, notably, formal consultative mechanisms, equal employment opportunity and occupational health and safety, as compared with classification streamlining and career planning and, more particularly, staff appraisal (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 577 & 579). Implementation is perceived to be also more advanced in the medium and large agencies, as compared with small agencies (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 577 & 579). Middle managers would seem to be less convinced, for, overall, they perceive a somewhat lesser degree of human

On the human resource management reforms, the MAB-MIAC Task Force on Management Improvement has concluded:

Agency and regional consultations indicated that a renewed emphasis on people management is needed, involving a balance between developing staff on the one hand and increasing their performance on the other (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 206).

**Structural Reforms**

The structural reforms initiated in the mid-to-late 1980s were intended to:

- restructure the APS in accordance with government policies in relation to its size, composition and functions;
- initiate organisational changes at the Portfolio or agency level to accommodate the introduction of a program structure, of a flatter hierarchical management structure, and of decentralisation and devolution initiatives; and
- initiate changes in organisational structure, especially at the workplace level, to improve ways of working.
Machinery of Government Reforms. The machinery-of-government changes made in July 1987 constituted, according to Craswell and Davis (1994: 59) "... the most dramatic agency restructuring in Australian federal history." The number of APS Departments was reduced from 28 to 16 (increased to 17 with the addition of Tourism in 1991) in a two-level ministerial structure; which replaced the all-powerful Public Service Board (PSB) with much weaker Public Service Commission (PSC); and which corporatised selected agencies and functions within agencies (Codd, 1988; Emy & Hughes, 1991: 355-7; Evans, 1988; Hamilton 1990; Hawke, 1987; Johnston, 1989; Weller et al., 1993; Wettenhall, 1988a; Wilenski, 1988a; Woolcott, 1989). According to Codd (1988: 26-8), one of the architects of these reforms, the machinery of government changes were intended to:

- enhance ministerial control;
- improve co-ordination and decision-making;
- reduce duplication and overlap;
- broaden perspectives and give greater coherence in policy advice and program development;
- give Portfolios greater flexibility in their operations and more stability; and
- improve performance by giving agencies greater resource management flexibility.

The administrative changes involved not only the restructuring of Portfolios but also the refocusing of some central agencies. Following the demise of the PSB, the previously-centralised human resource management responsibilities were devolved to agency heads or transferred
to other central agencies (Australia, Parliament 1990a: 11; Hawkes, 1988). The central agencies over-sighting APS personnel management became:

- the Department of Finance, which became responsible for funding salaries, classification management and standards (Australia, DoF, 1991d; also Moffatt & Selby-Smith, 1990), and for approving the funding for SES profiles;

- the Department of Industrial Relations (DIR), which became responsible for determining APS classification structures, pay and conditions and for industrial relations (Madden, 1992);

- the Department of Employment, Education and Training (DEET), which became responsible for base-grade and graduate recruitment; and


Following the decision by the Hawke Labor Government to commercialise many common government services, responsibility for purchasing was devolved to line agencies, under the watchful eye of the Department of Administrative Services (Australia, DAS, 1989-). Itself
created as a commercialisation vehicle. The outcome of these changes was a significant reduction in the level of traditional centralised control and coordination with a corresponding increase in line agency autonomy.

**Decentralisation and Devolution Reforms.** These must be set into the context of the machinery-of-government changes and the significant streamlining of personnel, industrial relations and financial management practices that took place from the mid-to-late 1980s. Under the watchful eye of a variety of central agencies, and the more cynical eye of the Auditor-General, decision-making devolution ("... the transferring of decision-making capacity from higher levels in the organisation to lower levels ...") and decentralisation ("... the redistribution of functions or tasks from central units in the organisation to more widely dispersed units. ...") (Australia, MAB-MIAC, 1991e: 1) has been encouraged within agencies. Devolution, described by the Australian National Audit Office as "... a utopian model" (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 525), and decentralisation are initiatives that seek to ensure that decisions are made at the most appropriate levels and places, in the hope of giving managers greater capacity to achieve policy outcomes by forcing them to take a more strategic approach to management whilst endeavouring to retain cohesion, consistency and a corporate focus (Agnew, 1992; AGSESA, 1991; Australia, MAB-MIAC Task Force on Management Improvement, 1992a; Codd, 1989; Crotty, 1990; Hawke, A., 1989; Munro, 1989; Podger, 1989; Wannan et al., 1992). This, of course, requires Ministers and, more particularly, senior central and line agency managers to exercise considerable constraint in whether and how they use their authority over administrative matters (Aucoin 1990: 199), which challenges a lifetime of hierarchical relationships where management
freedoms are granted sparingly and, perhaps, grudgingly, usually in a piecemeal fashion.

The decentralisation and devolution of responsibility for human resource management has been the subject of some scrutiny. The Australian National Audit Office conducted an audit of human resource management practices in a selection of five departments and agencies in 1992 to examine, among other things, the cost-effectiveness of human resource planning. It lamented the lack of long-term human resource planning, which it saw as the foundation of "proper strategic planning", and drew the conclusion that a better performance in such long-term planning was necessary, although it did acknowledge that annual planning of staff resources was generally satisfactory (Australia, ANAO, 1993: 316-17). The demise of central control has been lamented by two Parliamentary Committee (Australian, Parliament, 1990a: 4, 11 & 12 & 1992b: xxi-xxii; also Parker, 1989a: 343-4). One Parliamentary Committee has recommended (Australia, Parliament, 1992b: xiii-xv, Ch. 2) re-centralisation of the human resource management function to the PSC, so as to:

- reduce confusion and duplication of the roles of coordinating agencies;
- reduce the fragmentation of the APS as a career service;
- ensure consistency and equity;
- regain economies of scale; and
- give more central guidance and direction to support agencies.
Interestingly, there would seem to be modest support within the APS for the PSC to take a strong role in influencing personnel policy and practices (Australian MAB-MIAC Task Force on Management Improvement, 1992b: 45-6). This recommendation was, however, rejected by the Keating Labor Government.

The question that remains to be resolved is whether the APS in a post-devolution-decentralisation environment should develop service-wide strategies to address service-wide problems (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: pp. 493-4 & 529-32):

- by central agencies (or perhaps even a mega central agency), in consultation with line agencies; or
- by collaboration between line agencies, in consultation with central agencies.

Organisational Structure Reforms. Structural reforms within agencies were encouraged to facilitate the implementation the myriad of streamlining financial and human resource management reforms that have emerged since the early 1980s. The demand for a program-based organisational structure and the demands of devolved and decentralised decision-making and of a decentralised approach to workplace bargaining, have required agencies to:

- establish meaningful programs with clear over-arching objectives;
- reduce the number of decision-making layers (Australia, PSB, 1987c);
• devolve management responsibilities and accountabilities; and

• redesign workplace-level structures.

The Program Management and Budgeting (PMB) framework has required agencies to develop program structures that relate activities to governmental and agency objectives and aligns organisational and program management structures, so as to increase management and organisational accountability.

The developments under the aegis of the Structural Efficiency Principle have required agencies to:

• introduce participative processes to facilitate job redesign (Landsbury & Prideaux, 1980), utilising relevant technology, and work reorganisation (known as Office Structures Implementation (OSI) and Participative Work Design (PWD)); and

• evidence an attendant commitment to:

  • multi-skilling;

  • occupational health and safety;

  • more flexible working hours;

  • better work arrangements and amenities; and

These OSI-PWD strategies had their intellectual roots in the concept of alienation, essentially meaninglessness and powerlessness, to which Seeman's (1975) adds the dimensions of normlessness, cultural estrangement, self-estrangement and social isolation (but see also Harvey et. al, 1983), and their behavioural roots in the job characteristics theory of work performance (Lansbury & Prideau, 1980), considered by O'Brien (1982: 383-4) to be:

. . . the latest alchemists' stone for turning alienated, unproductive and dissatisfied employees into involved, productive and satisfied employees by redesigning jobs to achieve "skill variety", "task identification", "task significance", "autonomy" and "feedback", so as to enable them to experience the "meaningfulness of [their] work", the "responsibility for [their work's] outcomes" and the "knowledge of the actual results [of their work]" [also Hackman & Oldham, 1976 & 1980].

The process involves employees, with their unions and supervisors, evaluating specific jobs to develop duties that would fully utilize their knowledge and skills, so as to provide them with a more satisfying work. This requires staff to identify existing workplace problems and then, through group problem solving exercises, identifying possible solutions (Australia, DPM & C, 1992: 118-19). O'Brien (1982: 385 n.1) has made an obvious, but none the less important point when he concluded:

In Australian contexts, perceptions of increased skill and autonomy could lead to employees requesting increased pay using work value arguments. Hence the job characteristics model could generate industrial disputes or at least union
resistance if pay was not directly linked to job characteristics and performance.

**Reform Implementation.** The perceptions of executive management within the APS, as identified by the MAB-MIAC Task Force on Management Improvement in mid-1992, are that the implementation of APS structural reforms has been universal but to varying degrees (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 576). It is perceived to be most advanced, first, with respect to organisational reforms, as compared with devolution, and, more particularly, decentralisation reforms; secondly, in the large agencies, as compared with medium and, more particularly, small agencies; and finally, in commercial-oriented and program-delivery agencies, as compared with central agencies, especially in relation to the devolution and decentralisation reforms (Australia, MAB-MIAC Task Force on Management Improvement, 1992: 576). Middle managers would seem to be less convinced, for overall they perceive a somewhat lesser degree of structural reform implementation than do executive managers (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 13).

On the structural reforms, the MAB-MIAC Task Force on Management Improvement has concluded:

Management of change has not always been well-handled in the past and resources have often been invested in dealing with resistance. In particular, there is room for greater consideration of clients needs when agencies design organisational change as well as better staff involvement and broad career planning.
Performance Measurement to Centre Stage

The drive for improved program, organisational and management performance accountability, both external and intra-agency, and hence enhanced performance, has dauntingly thrust "measurement" onto centre stage (Australia, MAB-MIAC, 1993a; also Bouchaert, 1993; Carter, 1988; Carter et al., 1992; Cohen, 1993; Holzer & Halachmi, 1995; Wholey & Hatry, 1992). The issue of importance is what should be measured (Dixon, 1992):

- **Inputs:** the cost, quantity and quality of human, financial, technological and physical resources used in work processes, including quality costs (also Navaratham, 1993);

- **Work processes:** the physical, organisational and technological environment in which activities take place and the way activities are undertaken;

- **Productivity:** the relationship between inputs and outputs;

- **Outputs:** the quantity and value of what work processes produce;
• Service quality: the quality of what work processes produce, including service-delivered to end-users;

• Outcomes or performance: the extent to which work processes achieve:
  • policy objectives;
  • organisational objectives;
  • program objectives; and
  • end-user objectives;

• Impact: the intended and unintended consequences of work processes;

• Possible future scenarios: the future socio-economic, political, financial and organisational contexts within which work processes might (or might not need to) operate in order to meet:
  • existing unmet stakeholder needs;
  • future client demand levels and patterns; and
  • future stakeholder needs.
Clearly, performance measurement must embrace all of these dimensions. Traditional input-oriented measurement is required for probity and control purposes. Work-process measurement remain relevant for as long as there are administrative policies and goals that give particular work processes importance in their own right (Nagel, 1980-81) (such as equal employment opportunity, occupational health and safety, administrative decision-making review and freedom of information). Output and productivity measurements are on the ascendancy, but the conceptualisation of output measures and the collection of relevant output information is problematic and has been challenging the creativeness of public servants (Holzer & Halachmi, 1988; Murray, 1987). Service-quality measurement is, of course, crucial for service quality assurance and improvement, but articulating acceptable quality benchmarks is far from easy, especially when the perceptions of professional service delivers differ from those held by service managers (Pollitt, 1990b), service recipients and special interest groups. Indeed, issue of quality is inherently a political one (Walsh, 1991). Outcome or performance measurements requires the articulation of quantifiable objectives at both the political and administrative levels, which is both challenging and threatening (Carter, 1991; Kamensky, 1993; O'Faircheallaigh & Ryan, 1992; Parker & Guthrie, 1990; Stewart-Weeks, 1989). Impact measurement is also crucial, so that those unintended (and unforeseen) consequences of activity can be documented (Baert, 1991; Merton, 1936). Future-scenario measurement is vital for strategic planning. The question of measurement is thus not as straight forward as it might seem, yet it is crucial to effective performance accountability.

Trotter et al. (1995), drawing upon the findings of the Canadian Comprehensive Auditing Foundation (1987) have suggested a cross-
sectional program-organisation performance framework with the following dimensions:

- Management direction: the extent to which organisational objectives are clearly stated and understood;

- Relevance: the extent to which a program continues to make sense with respect to the problems or conditions to which it is intended to respond;

- Appropriateness: the extent to which the design of a program and the level of effort are logical in relation to objectives;

- Achievement of objectives the extent to which the goals and objectives of the program have been achieved;

- Acceptance: the extent to which the constituencies for whom a program is designed judge it to be satisfactory;

- Secondary impacts: the extent to which other significant consequences of a program, either intended or unintended and either positive or negative, have occurred;
• Cost and productivity: the relationship between costs, inputs and outputs;

• Responsiveness: an organisation’s ability to adapt to change in such factors as markets, competition, available funding, or technology;

• Financial results: accounting for revenues and expenditures, and assets and liabilities;

• Working environment: the extent to which an organisation provided an appropriate work environment for its staff;

• Protection of assets: the extent to which the various assets entrusted to the organisation are safeguarded;

• Monitoring and reporting: the extent to which key matters pertaining to performance and organisational strength are identified, reported, and carefully monitored.

This framework defines the key accountability dimensions confronting both politicians and appointed officials (also Tuck & Zaleski, 1995).

The production of a vast quantity of information on the cost and performance of government is one outcome of the managerialist reforms.
Program objectives and expenditure are summarised for each agency in *Portfolio Program Estimates* (see, for example, Australia, Budget, 1992b). Program performance information, with a focus on outcomes, is provided in multiple volumes of *Program Performance Statements* (see, for example, Australia, Budget, 1992c), which includes, for each Portfolio, a Portfolio overview (including Portfolio program structure, Portfolio management, program management, program evaluation and social justice) and information on program performance (including program objectives, program description, strategies adopted, performance achieved, resources used, and future outlook) (Australia, DoF, 1992f). The new *Portfolio Budget Measures Statements*, first tabled in Parliament on 11 May 1994, focus on new budget initiatives and significant expenditure variations. Operational (organisational) performance information, with a focus on administrative efficiency, is provided in agency *Annual Reports*, which includes a Portfolio overview, corporate structure, program reporting (including access and equity), human resources (including performance pay, equal employment opportunity, industrial democracy, occupational health and safety), financial resources (including fraud control, capital works management and property usage), external scrutiny (including, impact monitoring) (see, for example, Australia, DPM & C, 1992; also Australia, Parliament, 1989d), but their adequacy as an instrument of management accountability is questionable (Argument, 1991; Coates, 1989; Milazzo, 1992). One improvement advocated by the Joint Committee of Public Accounts is to include in annual reports information at the sub-program level on past, current and anticipated performance and resource use (Australia, Parliament, 1987: xiii). In May 1994 the Department of Prime Minister and Cabinet announced that annual reports would become more focussed on strategic issues and less concerned with routine information (Australia, DoF, 1994b: 4). Program performance information
is also the focus of departmental evaluation reports, prepared by Portfolios on a three-year rolling program basis. Financial, program and organisational performance information is also generated by the Auditor General.

Performance Measurement, Management Performance, and Management Accountability

Arguably, the utilisation of reliable program and organisational performance measures, which is needed for effective program and organisational performance accountability, can improve management performance, at least according to Kamensky, who, in a recent study from US General Accounting Office, has concluded:

Managers can use the data that performance measures provide to help them manage in three basic ways: to account for past activities, to manage current operations, or to assess progress towards planned objectives. When used to look at past activities, performance measures can show the accountability of processes and procedures used to complete a task, as well as program results. When used to manage current operations, performance measures can show how efficiently resources, such as dollars and staff, are being used. Finally, when tied to planned objectives, performance measures can be used to assess how effectively an agency is achieving goals stated in its long-range strategic plan.

Having well-designed measures that are timely, relevant, and accurate is important, but it is also important that the measures
be used by decision makers (quoted in Holzer & Halachmi, 1995: forthcoming).

It is, of course, in any event, an article of faith that performance measurement improves management practice and organisational performance. Certainly, performance measurement is fundamental to management learning, provided it gives public managers (not to mention their political masters and the parliamentary scrutiny mechanisms) reliable data that is appropriate to their decision-making styles and relevant to their decision-making needs. But for it to be exploited requires both the capacity to learn from information signals and the capacity to act upon that learning (Jackson, 1993). Bouckaert and Balk (1992) have argued, soberingly, that measurement may, indeed, be organisationally dysfunctional and that management must focus on the organisational impact of measurement to ensure that positive outcomes are produced. To link explicitly (or even implicitly) management performance with program performance for management accountability purposes is to flirt with the risk that middle and executive-level public servants will adopt the Downsian bureaucratic response of distorting program performance information communicated upward, so as to promote their own self-interest (Downs, 1967: 77-8).

The MAB-MIAC Task Force on Management Improvement’s 1992 staff survey results would suggest that most people did not use in their jobs the performance data available (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 30 & 71).
The Inculcation of Managerialism into the APS

The managerialist reforms have sought to shift the APS from an allegiance to the bureaucratic (hierarchy and control) paradigm to an acceptance of a post-bureaucratic (innovation and support) paradigm (Barzelay, 1992, especially ch. 8; Odom et al., 1990; but also Kouzmin, 1980a & 1980b) by initiating, from the mid 1980s, what Emery and Trist (1965) have described as a "turbulent transition" aimed at making APS agencies rational instruments for achieving shared goals (Gouldner, 1959: 404; Simon, 1976: 257; but see Peng, 1992), perhaps with a commercial or quasi-commercial twist. Middle- and senior-level public servants have been required to manage the radical structural, procedural and cultural changes, and their resultant anxiety-generating personal change implications (Richardson, 1987). In the process they have been confronting the prospect that if change and uncertainty are not dealt with appropriately they might produce the levels of staff distrust that Culbert and McDonough (1986) consider would becomes an obstacle to the internalisation of new goals, values and assumptions. Perhaps more importantly, they may generate to the type of fear that Benveniste (1977) considers would engender counter-productive pathological responses from staff, notably, paranoia, a siege mentality, turf protection, back stabbing, dishonesty, sabotage and even "organizational gangsterism"(behaviour by individuals that accelerates their personal career growth while simultaneously undermining organisational goals) (Kobrak, 1992), all of which may give rise to some of Caiden's (1991) all-too-numerous identifiable "bureapathologies" (those "vices, maladies and sicknesses of bureaucracy") and may introduce irrationalities, rather than the hoped-for rationalities, into administrative processes. If left uncorrected these pathological responses may become institutionalised and begin to inhibit the organisation's capacity and
willingness to learn from its environment, giving rise to serious public
and/or political complaints about incompetence (Ott & Shafritz, 1994) and
so threaten the capacity of the organisation to adapt or even to survive, by
adversely impacting on vertical management credibility, change
motivation and functional unit co-operation (Gabris & Mitchell, 1991).
Perceptions of public managers’ adroitness have increasingly become
related to the adequacy of their agency’s perceptions about the need for
change (and the nature of required change processes); and to their capacity
to sift out and process reliable information, to plan, deliver and evaluate
change, and to manage the conflicting demands generated by change.

The induction of a turbulent transition supports the inculcation of
managerialist values and practices by creating opportunities for
exploitation by the more adaptive managers (Beckhard & Harris, 1977;
Kimberly & Quinn, 1984; Nadler, 1982), who can be rewarded by being
given more resources (from both budgetal and extra-budgetal sources)
and/or more decision-making authority and autonomy (Meier, 1980 &
1987). This, in turn, encourages them, and their staff, to concentrate on
affective, cognitive, and even motor learning, the outcome of which is
change (Knowles, 1973: 6-11) - the acceptance and adoption new insights,
outlooks, expectations, thought processes (Smith, 1983: 34) and behaviours
(and habits) (Bunning, 1992b; Crow & Crow, 1963). This, in turn,
legitimates and facilitates organisational change by devaluing commitment
to past practices and to conformity. In this environment, managers need to
be able to:

• process and evaluate strategic information under conditions
  of uncertainty;
design and instil new structures that address the structurally contingent problems of change, facilitating and directing information flows into patterns of cognition, communication and analysis (Scharpf, 1977) and that kindle the internal thought processes in others that lead to attitudinal and/or behavioural change, so as to reduce commitment to past practices and to facilitate innovation (Grady, 1992; Miles & Snow, 1978; Pfeffer & Salanick, 1978; Thompson, 1967); and

- become more adaptive to the transitional opportunities and constraints, whether by strategic choice or a reactive response to changes in the environment, or both (Astley & Van de Ven, 1983; Hrebinjak & Joyce, 1985).

It is, thus, an environment that encourages and rewards managers who are transformational leaders, defined by Burns (1978: 20) as leaders who engage

... with others in such a way that leaders and followers raise one another to higher levels of motivation and morality. ... Their purpose which might have started out as separate but related so becomes fused ... as mutual support for common purpose.

They can be characterised as leaders capable of "idealised influence", "inspirational motivation", "intellectual stimulation" and "individualised consideration" (Bass & Avolio, 1994; also Bass, 1985; Bennis & Nanus, 1985; Brown, 1994; Peters & Waterman, 1982; Tichy & Beyer, 1986). Managers are encouraged in this environment to give charismatic leadership (Bryman, 1992; Conger, 1989; Conger & Kanungo, 1987, 1988, 1992 & 1994). This is a style of leadership that causes others to see and pursue a different direction than they would otherwise pursue, thus converting them to followers, by
creating common purpose, through visionary direction-setting; by building new organisational relationships; by being able to manage ambiguity; and by becoming cultural architects, so producing organisational change through the unfreezing of the existing culture and its realigning to the new vision, and so begin the necessary dynamic process of shifting its shared assumptions, values and norms (as described by Goldberg, 1985)). In such an environment operational leadership (Fiedler & Chemers, 1974) that is planning oriented and designed to produce orderly results is relegated to the realm of middle management (also Barker, 1989).

The Management Advisory Board(Australia, MAB-MIAC, 1993b) has acknowledged this shift in leadership orientation by recently articulating the following attributes required of an effective APS manager:

• the ability to articulate overall government directions;

• the ability to establish a culture of responsiveness to government needs and awareness of client needs;

• the willingness to practice and promote the highest standards of diligence and integrity;

• the ability to engage in two-way communication with staff and the willingness to involve staff in planning and policy development;

• the willingness to give agencies, work groups and staff scope to manage for results and the ability to assist through advice and guidance;
• the willingness to become interested in results and the willingness to insist on accountability against established indicators; and

• the willingness to reward good performance and the ability to seek performance improvement when it is not of a sufficiently high standard.

Yet, as Koch (1990: 474-5) has noted, the change from an input-type to an output-type public management system does not necessarily mean that leadership becomes driven by interpersonal processes, whereby leadership is person-oriented in that information processing and motivation are designed to stimulate goal-oriented behaviour in others (that is, the adoption of organisational development and individual situational leadership and coaching behaviours (Ashour, 1982)). Rather, leadership could remain task-process driven, whereby the need, or desire, for control dictates that leadership behaviours focus on setting expectations for others (Katz and Kahn's (1978) role-sending behaviour), albeit one that reflects a shifting emphasis in information processing and motivation from merely the assigning of roles and defining of duties to the application of precisely defined performance standards or perhaps even to the use of individual performance appraisal processes (that is the adoption staff developmental and performance-enhancing behaviours).

The managerialist reforms have undoubtedly given the APS a new orientation, a new sense of direction (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 21; Sedgwick, 1993a & 1993b). This can be characterised as shifting agencies from being an administration-type towards a production-type organisation (Barzelay, 1992: 121-3). Formal organisational structures, which seek to match delegated authority with
subdivided categories of work to be performed to the level of individual positions, have become program rather than function based. In terms of organisational complexity, while the degree of vertical differentiation has somewhat diminished (an outcome of the flatter structures initiative), complexity would seem to have increased in line with apparent increases in both the degree of horizontal differentiation (an outcome of the creation of mega-departments) and the degree of spatial differentiation (an outcome of the decentralisation reforms). Decentralisation, moreover, has at least replaced centralisation as the politically-correct rhetoric. Overall, the degree of formalisation would seem to have diminished, which is not surprising given the increased environmental uncertainty (Mintzberg, 1979: 273-9). Communications would seem to have become more open, although trust levels would not seem to be high (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 36). Control processes have certainly begun to shift from the enforcement of centralised rules and regulations (which define operating procedures, customary practices and codify, routinise and simplify repetitive decisions), to an approach that uses decision guidelines to frame and communicate norms, so as to encourages voluntary compliance, by means of incentives, and accountability, by winning adherence to those norms (Barzelay, 1992: 123-30).

The focus of central agency control has thus begun to shift from inputs and process to outputs and performance. Management support emphasis has begun to shift from procedures to planning, although, arguably, that may have become somewhat of a substitute for, rather than a compliment to, strategic leadership that gives a sense of direction and that facilitates adaption to a changing environment. The taking of individual initiative and accepting of individual responsibility, especially at the middle and executive management levels, has become more expected, with individuals
being given more authority to perform their roles within a context defined by organisational, program and work group goals and performance expectation, rather than having their tasks defined by procedures (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 31).

While deviant behaviour remains discouraged, the basis of upon which deviance is conceptualised has begun to shift from approved processes to plans and performance standards. Risk-taking (that is, making decisions with uncertain consequences on premises that exceed the "boundaries of ordinary expectation" (Bryd & Byrd, 1989: 212)), has been encouraged, at least rhetorically, but risk tolerance remains low. Rewards, while still based on formal standards for staff, have become more based on results for middle and executive management.

APS organisational culture has also begun to change. The rhetoric about what is good for (and should happen to) the APS in relation to efficiency, effectiveness, performance, equity, equality and access has been institutionalised to the point that APS agencies are now publicly articulating policies, goal statements and strategies in these domains (see, for example, Australia, DPM & C, 1992). The dominant culture has begun to shift from one that emphasises adherence to rules, order, stability and input controls to one that emphasises guidelines, change and performance accountability (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: ch 11). There are still, however, challenges to be faced. The behaviour of managers, especially their management styles (the way they exercise their authority: communicating with other, establishing goals and working towards their accomplishment, and dealing with change and crisis (Goldberg, 1992)), needs to become less technocratic (Jans & Fraser-Jans, 1990: vii) and more oriented towards people, performance and
client-needs (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: ch 10), without jeopardising the APS ethos (Yeatmen, 1990a), ethics (Bailey, 1989; Uhr, 1986, 1989a, 1990b & 1991; Wannan et al., 1992: 197-209; Wilenski, 1988b; also Bowman, 1991; Denhardt, 1991; Stewart, 1985) or the cohesiveness of the APS as a career service (Australia, Parliament, 1992b: 79; also Curnow 1989; Emy & Hughes, 1991: 342-4; Enfield, 1989a; Haines, 1989; Koch, 1994; Knight, 1989; McMartin, 1987; Stubbs, 1992). The aspiration is for APS agencies to build organisational cultures which supports a bureaucracy in which staff are:

- responsible, responsive and accountable to the public through the established public accountability processes and mechanisms, like Kernaghan and Langford's, (1990) "responsible public servant";

- committed to a performance ethic whereby doing less than their best is unthinkable, like Goodsell's (1992) "artisan public administrators", with their commitment to the values of craftsmanship, style, form, respect for materials and creativity; and

- committed to ethical decision-making, integrity and virtue, considered by Adam Smith (1892: 464) to be "the fine polish to the wheels of society", contemporaneously conceptualised as probity, justice, fairness, individual rights, equity, and respect for human dignity (Pavlak & Pops, 1989).

Within the setting of this changing dominant APS culture, individual agencies have begun to establish differential cultures (and even sets of subcultures), for the purpose of supporting organisational change strategies and reinforcing the managerial behaviour changes considered necessary to
enable them to adapt to the transitional opportunities, or fend off any perceived transitional threats they confront (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: pp. 521; also Ackermann, 1982; Beckhard, 1975; Johnson, 1992). The speed at which the required organisational learning has occurred has varied widely between agencies (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: pp. 509-10), explaining, perhaps, why reform implementation has not been uniform across the APS, reflecting, first, the differential “cognitive maps” (Axelrod, 1976) of the dominant coalitions in relation to the desirability, even appropriateness, of all the managerialist reforms, in the context of particular organisationally-specific mixes of service-delivery and policy-development functions; and, secondly, to how reform is packaged and conveyed to strategically significant groups. There has thus developed a multiplicity of agency-specific cultures, and even sub-cultures, driven largely by the dual thrusts of decentralisation and devolution, which has caused, according to the Joint Committee of Public Accounts, the diminution of an APS-wide perspective on the fundamental value of public service (Australia, Parliament, 1992b: xii-xv, in particular p. 12):

The Committee would also like to emphasise that the ethos of public service is the most important feature of the APS. It views with alarm the perception that, with decentralisation and devolution, the concept of working for the service of the public, is being diminished.

In essence, the managerialist reforms have required public servants to develop stable organisational objectives, with attendant performance measures articulated to contemporary policy goals, so as to minimise both non-rational (non-cognitive) administrative processes and the use of search procedures to identify strategies that involve the fewest and least
radical changes necessary to produce minimally-acceptable outputs (Lindblom, 1959). In effect, the managerialist reforms have endeavoured to shift the APS from an administrative orientation that emphasised input-controlled policy development and rule-based implementation (public administration) to one that emphasises value-adding, output-oriented strategic management of resources and control of service production processes (public management) (McCoy, 1992; also Considine, 1988 & 1990a; Yeatman, 1987b & 1990b: 13-35; but also Hughes, 1992; Painter, 1988), the result being the emergence of a new public management model, which Alford (1993) has begun to enunciate in terms of the management of the public production process that produces non-market values in a more complex environment using more diverse resources (including political power). This paradigm shift has implications for the way public servants manage (Keating, 1990b; Paterson, 1986; Baker, 1989) and for the culture within which they do so (Sedgwick, 1993a & 1993b; also Metcalf & Richards, 1987a). They are now expected to manage production processes by combining their traditional public administration functions of providing strategic policy advise, policy brokerage and information management, in an effort to balance the conflicting legal, rational-bureaucratic and consensus imperatives (Emy & Hughes, 1991; McCallum, 1984; Rein & Rabinovitz, 1978), with new goal-directed, risk-sensitive production-oriented, strategic management behaviours. These behaviours embrace:

- the traditional management functions of:
  - planning;
  - organising;
  - directing; and
• co-ordinating;

• the instilling of a commitment to organisational mission; and

• the creating an organisational climate (Moran & Volkwein, 1992) that encourages:

  • risk-management;

  • organisational change;

  • service innovation;

  • quality management

  • client (customer)-oriented service delivery; and

  • the redesigning of work and decision-making processes to enhance: job satisfaction; productive efficiency; program effectiveness; and organisational performance.

The overall purpose is to secure long-term program, and hence organisational, viability (by building and maintaining supportive bureaucratic and client-based coalitions and networks) and to achieve shorter-term program objectives (in terms of articulated performance measures), all in the face of the uncertainties in the accessing of scarce resources by agencies located in a competitive bureaucratic environment, within a pluralist political universe made up of dynamic public policy sub-systems, dominated by a disciplining budget cycle, a capricious policy cycle and even a client-driven product cycle.
This chapter has explored the managerialist-inspired shift within the APS from an allegiance to the bureaucratic (hierarchy and control) paradigm to an acceptance of a post-bureaucratic (innovation and support) paradigm, along with its implications for organisational and management performance, performance measurement, management accountability and management practice. In so doing it has defined the the managerialist reform milieu within which the commercialisation the APS took place from the late 1980s.
4. THE COMMERCIALISATION OF THE AUSTRALIAN PUBLIC SERVICE

Australian federal public sector has long been delivering goods and services to their customers on a quasi-commercial basis. Sometimes they are competitors; sometimes the public sector fills the gaps in the market that are unprofitable for the private sector; sometimes the public sector has a monopoly by regulation. Over the years public and private enterprises have come to terms, more or less, with their respective roles in specific markets. But this is now changing.

The Australian Public Service (APS) began to feel the quite dramatic winds of change in the mid 1980s. The once comfortable relationship that existed between the public and private sectors entered a state of flux. Disturbing concepts such as "deregulation" and "commercialisation" were gaining currency and are being applied not only to public enterprises, but also to Ministerial departments. It was in the context of a tight fiscal environment and a political environment in which both the major political parties adhered to the broad principles of economic rationalism, under the influence a private sector eager for new business opportunities, that the Hawke Labor Government, keen to establish that the public sector could be as efficient as the private sector, launched the commercialisation of APS onto the policy agenda (Dixon, 1987a; Dixon & Harding, 1989; Dixon & Kouzmin, 1994a, 1994b & 1995; Kouzmin & Dixon 1993; Kouzmin et al., 1995; also Australia, MAB-MIAC Task Force on Management Improvement, 1992: ch. 7; Barrett, 1988a & 1991b; Brack, 1986; Bryson, 1986; Churchill, 1992; Crozier 1988; Hensher, 1986; Simms, 1986; Yeatman, 1986 & 1987a).
The 1990s has seen the flourishing of commercialisation within the APS. Public agencies have been under greater pressure to identify services for which charges could be either increased or introduced. In existing fee-for-service areas, there have been moves towards greater cost recovery which may have been attractive to those agencies with licensing and regulatory powers, but not for those that exist to fill gaps in a market that the private sector finds unattractive to fill. These commercialisation pressures now confront a wide variety of public agencies.

This chapter begins by articulating a conceptual framework that permits the differentiation of various forms of APS commercialisation. It then describes the commercialisation mechanisms used from the late 1980s. It also describes the nature and extent of that commercialisation and articulates the emerging policy agenda.

A Conceptual Framework for the Commercialisation of the APS

The form of commercialisation in the APS, which is the outcome of the creation of contestable, monopoly or competitive markets, can be conceptualised within a two dimensional space (see figure 4.1) which is defined by the degree to which an agency’s core or incidental (non-core) activities are commercialised, and by the degree of competition faced or expected. These factors influence the efficacy of forcing APS agencies to confront marketisation pressures as a means of increasing efficiency, extra-budgetal revenue, productivity and/or service quality, and/or reducing costs and determine the need for appropriate regulatory controls.
Figure 4.1: The Commercialisation Matrix

Quadrant A: Agencies operating as non-contestable monopolies, selling goods and services that are incidental to budget-funded core activities.
Quadrant B: Agencies operating as non-contestable monopolies, selling core goods and services.

Quadrant C: Agencies operating in a contestable or competitive markets, selling core goods and services.

Quadrant D: Agencies operating in a competitive markets, selling goods and services that are incidental to budget-funded core activities.

Core Activities Commercialised in a Contestable Monopoly or Competitive Market Environment

An agency commercialising its core activities within this market setting has the incentive to adopt business strategies that encourages the provision of acceptable quality services at profitable prices. In such circumstances, the maintenance of regulatory controls (or the imposition of financial burdens) that impact on pricing, output and quality standards decisions in a way that reduce its competitive capacity are disadvantageous, unless there are public interest considerations involved, especially where the creation of a contestable monopoly market environment is the first step towards the phased introduction of a competitive market environment, within a specific time frame.
Core Activities Commercialised in a Non-contestable Monopoly Market Environment

An agency commercialising its core activities within this market setting has the potential to adopt pricing and output policies that extracts a monopoly rent from its clients, which justifies the threat of regulatory controls or of deregulation (thus creating a contestable market environment where competitive close substitute goods and services exist) to ensure that pricing, output and quality standards decisions are not detrimental to the public interest.

Incidental Activities Commercialised in a Non-contestable Monopoly Market Environment

An agency commercialising activities that are incidental to core budget-funded activities within this market setting also has the potential to adopt pricing and output policies that extract a monopoly rent from its clients, which justifies the imposition of regulatory controls to ensure that pricing, output and quality standards decisions, which are of only marginal importance to the commercialising agency, are not detrimental to the public interests. Moreover, such commercialised services may have such a minimal desirable impact on extra-budgetal revenue that there is no incentives to increase productivity and/or reduce costs given the disruption costs involved, in terms of, for example, introducing new procedures, adapting information systems and accommodating organisational sub-culture incongruities.
Incidental Activities Commercialised in a Competitive Market Environment

An agency commercialising, within this market setting, activities that are incidental to core budget-funded activities may have the incentive to adopt business strategies that encourages the provision of acceptable quality services at a competitive prices, but since the commercialised activities are of only marginal importance to the agency, the maintenance of regulatory controls (or production subsidies) that impact on output and quality standards decisions is justified only where continued public provision to clients is considered to be in the public interest.

The Commercialisation Thrusts

Common Government Services

One of the initial commercialisation thrusts focused on the creation of regulated and contestable monopoly market within the APS for the provision of common government services, by means of contracting-in by an APS agency. This was adopted as government policy in July 1987. The then Minister for Administrative Services, Senator Stewart West stated in a speech at the time that the government’s common government services commercialisation agenda focussed on:

. . . the need for a fundamental reappraisal of the provision of common services to government agencies - the extent to which central provision is necessary (as against central setting of standards but provision by individual agencies), the extent to which provision by a central public authority should be open to competition with private provision, and the extent and method
of the user pays principle either for partial or full cost recovery, or on a full profit-making basis (quoted in Australia, DAS, 1988: 1-2).

Initially this involved those common government services provided by the then newly constructed DAS (Bashford, 1990; Mellows, 1992 & 1993; Richards, 1991a; Tanzier, 1992), colourfully described by Richards (1991b: 4) as "... the repository for all the administrative odd bits that no other portfolio wanted. A Sargasso Sea of the Public Service!". It was subsequently agreed by the Hawke Labor Government that this policy should be applied to certain core legal services provided by the Attorney-General's Department. The implementation of this policy involved the levying of user charges that reflected, to varying degrees, full economic costs. By 1990 there was "... a general presumption that goods and services provided between departments should be charged for" (Codd, 1990a: 76).

Cabinet endorsed the set of principles relating to the central provision of common government services articulated in the Guidelines on Government Services issued by the Minister for Administrative Services, Senator Stewart West, on 28 March 1988 (reproduced almost entirely in Richards, 1991a: appendix). Their purposes, according to his successor as the responsible Minister, Senator Robert Ray (cited in Australia, Parliamentary Debates, Senate, Estimates Committee E, 13 October 1988: E 62), were to ensure that DAS "should promote efficiency and effectiveness in achieving Government policy objectives"; that "more efficient management practices could be achieved [by DAS] through greater emphasis on program output and outcomes rather than detailed input controls"; that "the charges proposed should balance improved efficiency on the one hand and any significant, social and economic costs on the
other”; that “devolution and exposure to the private sector may occur”; and that “the cost involved within interdepartmental charging be minimised.”

The first principle espoused in the 1988 Guidelines on Government Services was:

> Efficiency and effectiveness in the achievement of Government objectives, assessed against the full range of economic and social objectives to be achieved, is the ultimate test against which arrangements for the provision of services should be judged.

The key aspects of common government services commercialisation, from the government’s perspective, have since been identified by the Minister for Administrative Services, Senator Robert Ray in 1988 as:

> [the placing of] greater responsibility on departments and authorities for program management; introduction of full charging for services; freedom of choice for client departments, in specified circumstances to choose private sector services and more businesslike operating arrangements (Address to Senates Estimates Committee D by Senator Robert Ray, the Minister for Administrative Services, Australia, Parliamentary Debates, Senate, Estimates Committee E, 13 October 1988: E 62).

The common government services commercialisation goal sought by government has since been articulated most succinctly by a subsequent Minister for Administrative Services, Senator Nick Bolkus (Address to Senates Estimates Committee D by Senator Nick Bolkus, the Minister for Administrative Services, Australia, Parliamentary Debates, Senate, Estimates Committee D, 5 September 1991: D 3), as “... to adopt more
business-like and commercial practices in the delivery of value for money common services to other departments and agencies.

The expected benefits of user charging for common government services within a regulated monopoly market are that it would make the cost of government transparent; that it would promote the better utilisation of public resources; and that it would make management more cost-effectiveness (Foster, 1988: 72-3). As the Department of Finance has noted:

As service providers have moved to put a charge on the service, the Department has had to consider carefully whether value for money has or will be achieved by continued purchase from these providers. Charging has heightened our awareness of service standards, and our response as a client has ensured we are better prepared to ensure the supplier provides the service required (quoted in Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 278).

The Australian Industrial Registry makes a similar point more succinctly:

The requirement to consider the cost of these [common government] services has ensured careful decision making whereas this would not necessary have been the case when the services were provided free (quoted in Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 278).

The Attorney-General’s Department adds:

We have also recognised a greater degree of responsibility as we are now clearly the decision maker and it serves no purpose to

Commercialisation has also been identified as a possible strategy for an common government service providing agency with a large professional staff that is having difficulty competing for, and retaining, those staff in an labour market which offers richer rewards in the private sector (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 63; also Australia, Parliamentary Debates, Senate, Estimates Committee G, 10 September 1992: E3). While it has been established that salary bonuses can be derived from fees charged for their services, without recourse to any annual budget appropriation (Australia, Task Force on Management Improvement, 1993: 24), control over the payment of such bonuses rests with the Department of Industrial Relations (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 67), causing the Attorney-General's Department to lament:

The inability of the Department to pay performance bonuses has been a major disappointment for it and its staff for a long time.” (Australia, Task Force on Management Improvement, 1993: 63).

Can a commercialising agency combine its regulatory and policy advisory role with its competitive commercial service delivery role, without giving rise to conflict of interest? The Auditor-General thinks not (Australia, ANAO, 1990 & 1993: 19), although the Department of Administrative Services (DAS), the first agency to begin the metamorphosis from being “... the custodians of government-imposed rules, the guardians of the Commonwealth purse, upholders of probity, and, in some cases, arbiters of fashion” (Munro, 1990: 38) to being value-
adding service providers, has argued (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 16) that, in its case:

\[\text{... [DAS's] recent [1991] structural reorganisation, the DAS Code for Handling Conflicts of Interest, and a series of government decisions particularly in the areas of purchasing reform and IT [information technology] procurement processes, reduce the [conflict if interest] risk to a level where it is acceptable in management and public interest terms [also Mellow, 1993: 336].}\]

Can the regulatory responsibilities of such an agency that cease because of its commercialisation be effectively devolved to other agencies, even if attended by alternative accountability and control mechanisms? Again the Auditor-General expects a "regulatory vacuum" to develop in some regulatory domains (Australia, ANAO, 1993: 190), a view that is shared by DAS (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 16):

\[\text{... there could be a case put that the diminution of a central coordinating or regulatory role [regarding purchasing] has had a negative impact on access to information on expenditure and standards in a number of areas.}\]

Can such a commercialising agency be expected to maintain high standards of integrity and ethical behaviour expected of the public sector in the face of private competition, with different perceptions of acceptable and ethical behaviour? The Auditor-General think that it should (Australia, ANAO, 1993: 19). Clearly these issues require the exercising of judgment; the Hawke-Keating Labor Governments have clearly made their judgments.
Other Services Related to Budget-funded Functions

The second element of the commercialisation thrust that began in the mid-to-late 1980s was the encouragement of all APS agencies to identify other core and incidental services that are related to budget-funded functions for which markets could be identified and charges could be imposed. As one APS agency, the Department of Industry, Technology and Commerce, remarked in its agency survey response to the MAB-MIAC Task Force on Management Improvement:

The Department, by its nature, is a policy department and therefore is not a service provider in the same sense as an organisation like the AGPS or Transport and Storage. However the Department has endeavoured to be more commercially oriented and now charges for [particular] services. (quoted in Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 275).

In their search for activities suitable for commercialisation, agencies are encouraged by the Department of Finance (1992c) to consider:

• what the costs and expected benefits of the commercial activity would be;

• who the clients are;

• what the impact on the service user would be and whether there are public interest issues to be considered (such as ethical and moral dimensions, political responsiveness and community participation);
• whether the activity would interfere with the agency's core business;

• whether the agency has the necessary mix of skills needed to run a commercial activity; and

• whether there would be clear performance measurement and reporting mechanisms in place.

The decision whether or not to commercialise any departmental activity, according to Barrett (1991b: 5-6), one of the architects of the government's common government services commercialisation policy, should be made on the following bases:

• whether the product to be commercialised is saleable;

• whether it is integral to core business;

• whether the government might wish to keep control over the product or market;

• whether commercialisation will enhance the efficiency and effectiveness of other core business elements;

• whether resources are under-utilised from time-to-time due to cyclical workloads or technology; and

• whether commercialisation is financially viable (in the short-term, whether it would result in covering some costs, but in the longer term whether it would generate a real rate of return of about 8 percent on funds invested, the government's commercial rate of return target (Australia, DoF, 1991a: 14).
From the government’s perspective, the Minister for Administrative Services, Senator Nick Bolkus, has stated that the criteria to be applied to commercialisation decisions were (Australia, *Parliamentary Debates, Senate, Estimates Committee D*, 13 September 1990: D 9):

- "cost-effectiveness”;
- "sensitivity”;
- "security”; and
- "other public policy issues”.

**Implementing Commercialisation in the APS**

The vehicles for implementing commercialisation in the APS are contained in the *Audit Act, 1901* (as amended) (Australia, DoF, 1990 & 1992c; Australia, Parliament, 1990c: 43-4). One approach involves the formation of a Trust Account for a commercial activity conducted by a budget-funded agency. A second approach involves the deeming of commercial receipts received by a budget-funded agency to have been appropriated. The third approach, now out of favour, involves the creation a separate set of accounts and records and the preparation of separate financial statements with respect to a commercial activity conducted by a budget-funded agency.

**Trust Accounts**

A Minister of State can the establish a Group 2 Trust Account (under Section 60 of the *Audit Act, 1901*) for a specifically “defined purpose” (as
required by Section 62A(1), such as the conduct of a commercial activities, which requires the preparation of financial statements (under Section 41D) in accordance with the *Guidelines for Financial Statements of Public Authorities and Commercial Activities*. This mechanism provides an agency commercialising its core, or otherwise strategically important, activities with a "working account", structured as the Minister see fit (Sections 60), which operates outside the agency's budgetary appropriation processes (as allowed by Sections 62(1) and 62(1A)) (Australia, DoF, 1990). Revenue can flow into such a Trust Fund, but not to heads of Trust Funds (Australia, Budget, 1988a: 5), from the Consolidated Revenue Fund, as appropriations, and from other Trust Accounts, notably Group 1 Trust Accounts that hold funds in trust on behalf of clients (Section 62A(5), as can the proceeds from the sale of appropriate assets, goods or services (Section 62A(5)), and any interest earned (Section 62B(3)). From this Trust Fund, the Minister can authorise (Sections 62(1)) the payment of expenses, without the issuance of warrants (Section 62(1A), related to purposes of the Trust Account (Section 62A(6)), defined as running costs, including operational payments, employer superannuation payments, compensation and legal expenses and reimbursements to the States for the performance of Commonwealth functions, but excluding transfer payments, capital expenditures and net advances (Australia, Budget, 1988a: 7); the payment of refunds (Section 62A(7)); the investment of funds (Section 62B); or make transfers to either the Loan Fund or the Consolidated Revenue Fund, in the event that he or she considers that the Trust Fund contains excessive cash balances (Sections 62A(4A) and (4B)). Where a Trust Fund accommodates more than one commercial undertaking the Minister for Finance may (under Section 41D) determine that each such commercial undertaking prepare a financial statement, in accordance with the *Guidelines for Financial Statements of Public Authorities and Commercial*
Activities. The Minister may also close Trust Accounts at his or her discretion (Section 62A(4)). All Trust Accounts must be audited by the Auditor-General (Section 62(2)).

Appendix 4.1 provides details of the various commercial Group 2 Trust Accounts in existence in 1992-93.

Appendix 4.2 shows the growth in Group 2 Trust Account commercial revenue over the period from 1988-89 to 1992-93, and its relative importance in each Portfolio in 1992-93. It reveals the significant growth in Group 2 Trust Account commercial revenue between 1988-89 and 1992-93, from $1.61 billion to $2.94 billion. Yet by 1992-93 it still constituted a relatively modest 7.1 percent of total Commonwealth departmental expenditure (that is, the sum of total Running Costs, Other Services and all Trust Fund Payments). On a Portfolio basis it was most significant in Arts and Administrative Services (73.5 percent of total Portfolio departmental expenditure), followed by Attorney-General’s (21.5 percent). In the late 1980s it was significant in both Defence, and Arts, Sport, Environment and Territories (as it was then), but corporatisation in the former, and the loss of Australian Capital Territory as a result of Territorial self-government in the latter, radically changed this.

The Deeming of Commercial Receipts as Appropriated Revenue

An agency seeking to commercialise either by progressively establishing specialised commercial or quasi-commercial administrative units or by conducting commercial activities that are related to, or derive from, its budget-funded activities, can arrange for the deeming of any revenue derived from the sale of appropriate goods or services to have
been appropriated (under Section 35 of the *Audit Act*, 1901), by citing this expected extra-budgetal revenue in a Schedule of an Appropriation Act (Section 35(1)) (Australia, DoF Estimates Memoranda 1989/13 and 1990/18). This Section, which was introduced as a technical amendment in 1969 to give more flexibility to the issuance of Governor-General Warrants before money allocated by Parliament could be spent, rather than to facilitate commercialisation, entitles the agency to retain such revenue to cover its direct costs, although the agencies can include any Section 35 revenue in excess of that budgeted within their running costs, up to the six percent carryover and borrowing limits, while revenue budgeted to cover accrued costs (such as superannuation) must be returned to the Consolidation Revenue Fund. An agency using this approach negotiates a resources agreement with the Department of Finance, in the context set by the 1988 revenue retention guidelines (Australia, MAB-MIAC, 1991c: 3 & 4), which articulates the basis upon which new revenue is retained or shared (Australia, DoF, 1988c, 1992c & 1992d; Australia, MAB-MIAC, 1991b).

Appendix 4.3 indicated the growth in Section 35 revenue over the period from 1988-89 to 1992-93, and its relative importance in each Portfolio in 1992-93. It reveals the extremely rapid growth in Section 32 commercial revenue over the period 1988-89 to 1992-93, albeit from an extremely small base, from $0.97 million to $239 million. Yet by 1992-93 it still constituted a minuscule 0.6 percent of total Commonwealth departmental expenditure (that is, the sum of total Running Costs, Other Services and all Trust Fund Payments) and a very small 2.2 percent of total Running Costs. On a Portfolio basis it was most significant in Attorney-General’s (5.4 percent of total Portfolio departmental expenditure), followed by Immigration and Ethnic Affairs (4.3 percent) and then by Primary Industry and Energy (2.8 percent). As a proportion of Running Costs it is most significant in
Attorney-General's (11.9 percent), Primary Industry and Energy (10.7 percent) and Health, Housing, Local Government and Community Services (8.3 percent).

Creation of Separate "Special Operations" Accounts

From the early 1960s to the mid 1980s when a budget-funded agency sought to collect revenue from the sale of goods and services, the Minister for Finance could determine (under Section 41D of the Audit Act, 1901) that it be required to keep a separate set of financial accounts and records in respect of its "special operations". The section of the Audit Act, 1901 that permitted this was introduced by amendment in 1961 to deal with the problems associated with the lack of any clear legislative authority governing the "commercial accounts of departments" (Parliament, House of Representative, Hansard, 11 May 1961: 1,778). This mechanism provided an agency commercialising an activity with a "revolving fund account" that operates within the agency's budgetary appropriation processes. All such accounts had to be audited by the Auditor-General (Section 41D(2)).

The Growth in APS Commercialisation

The growth in APS commercialisation can be measured by the growth in commercial and quasi-commercial revenue derived by APS agencies. Appendix 4.4 indicates that over four-year period between 1988-89 and 1992-93, such revenue increased from $1.61 billion (14.7 percent of total Running Costs) to $3.17 billion (29.2 percent of total Running Costs). Yet by 1992-93 it still constituted only a relatively modest 7.6 percent of total Portfolio departmental expenditure. On a Portfolio basis, expansion in the late 1980s
was most significant in Administrative Services (as it was then), followed by Health, Housing, and Community Services (as it was then), both of which created a variety of Group 2 Trust Funds to commercialise core services. Defence, and Arts, Sport Environment and Territories (as it was then), both began to commercialise in the late 1980s. Defence, however, soon converted to a strategy of corporatisation and, to a lesser extent, privatisation. Arts, Sport, Environment and Territories lost its Australian Capital Territory revenue with Territorial self-government. Attorney-General's began its rapid commercialisation expansion from the early 1990s, as did a variety of other Portfolios. Most Portfolios subsequently continued to expand their quasi-commercial activities (Finance; Health, Housing, Local Government and Community Services; Immigration and Ethnic Affairs; Industry, Technology and Regional Development; and Primary Industry and Energy; Employment, Education and Training; Foreign Affairs and Trade; Social Security; Prime Minister and Cabinet). Some found that their quasi-commercial revenue plateaued for a time (Employment, Education and Training; Foreign Affairs and Trade; Prime Minister and Cabinet; and Industrial Relations). A few even evidenced a negative growth rate from time-to-time (Arts and Administrative Services; Defence; Environment, Sport and Territories; Tourism; Industrial Relations; and Employment, Education and Training). In a number Portfolio, however, commercialisation is quite negligible (Prime Minister and Cabinet; Tourism; Social Security; Finance; Employment, Education and Training; Foreign Affairs and Trade; Treasury; and Transport and Communications). This confirms the conclusion drawn by the MAB-MIAC Task Force on Management Improvement (1992a: 277) that "... relatively few current agencies had implemented commercial reforms to a great extent."
The Extent and Nature of APS Commercialisation

It is evident from Appendix 4.5, which reinforces the clear implication of Appendix 4.4, that commercialisation has been adopted to varying degrees throughout the APS, but is of significance in only a few Portfolios and agencies. Appendix 4.6 gives details of the commercial and quasi-commercial activities of APS agencies, classified by the degree to which they represent core or incidental goods and services and by the degree of competition faced or expected.

From Appendices 4.6 and 4.7 it is evident that APS agencies are, generally, commercialising services that are incidental to their budget-funded core activities, although a few agencies are commercialising strategically important core activities, notably, the Department of Administrative Services, the Attorney-General's Department, the Australian National Audit Office and the Department of Immigration and Ethnic Affairs. Just over half (58 percent) of the commercialised activities can be classified as quasi-commercial, whereby the supplying APS agency operates in a monopoly market environment. In a small minority of instances (16 percent), incidental activities have been commercialised, somewhat entrepreneurially, in competitive market environments. In a significant minority of instances (26 percent), core activities have been commercialised in a contestable or competitive market environment.

The Commercialisation Policy Agenda

The implementation of commercialisation in the APS brought into focus a variety of policy issues:

- the appropriate basis for user charging;
• the appropriate extent of budget supplementation;

• the appropriate extent of revenue retention;

• the appropriate degree of de-regulation of APS monopolies;

• the appropriate extent and nature of ministerial intervention;

• the appropriate extent and nature of public accountability;

• the appropriate extent to which commercialising APS agencies should be able to compete with the private sector in non-APS markets;

• the appropriate community service obligations that need to be accommodated; and

• the appropriate government response in the event of a 'commercial failure'.

User Charging

The practice of user charging (reimbursement), which has long been applied to a range of APS goods and services provided to external clients, is now being applied to other APS agencies and even to administrative and program units within an agency (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 300-1 & 1993).

In the context of inter-agency charging for common government services, the House of Representatives Standing Committee on Finance
and Public Administration has observed (Australia, Parliament, 1990c: 42-3):

User charging makes use of the user pays principle in which the user rather than the central budget are expected to bear all or at least a proportion of the resource cost of the activity. The intention is, in part, to regulate demand and supply. The move to increase interdepartmental charging has the potential to improve management flexibility and efficiency by making managers and users of public services more aware of the cost of public activities thereby removing a tendency towards a 'free good' approach to the use of services.

The Department of Defence is rather more cynical, for it has expressed the contrary view, with some strength, that it sees

\[
\ldots \text{little apparent efficiency benefit from the increasing tendency for user charging between Portfolios. The introduction of user pays without a parallel initial transfer of funds previously used to support that function is little more than a backdoor way of reducing the funds available to Portfolios.}
\]

Where commonly used services can be provided most efficiently on a centralised basis, they should be funded centrally with resource controls being exercised through the overall allocation of funds to that function, and with usage rates being rationed or rationalised to match the available resources (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 176).

The Australian Customs Services similarly argues (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 408):
As a [common government] service user, the Customs experience is that many of the "quasi-commercial" practices for charging between Government agencies do not provide the level of flexibility usually available to commercial providers and in many cases the payment process is primarily an exercise in swapping funds from one area of Government to another. This adds little to efficiency and effectiveness objectives, particularly where Government is the sole supplier . . . .

The Department of Industrial Relations has expressed a rather different criticism of the user pays principle (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 352):

... where there is no issue of price affecting the level of demand and where certain activities are absolutely unavoidable the point of internal charging seems a little elusive; in fact, in some cases user charging could have the effect of increasing total costs through the need to transfer funds from one budget dependent agency to another.

In this context the Australian National Audit Office's somewhat ironic observation (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 523) is of relevance:

The anomaly in the process [of commercialising the audit function] is that these [budget-funded] agencies are in fact paying for services which are provided to a different client [Parliament].

The attitude of the Department of Transport and Communications towards the user pays principle (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 642) perhaps sums up the view of most agencies:
The Department is generally supportive of the principle of user pays where it is accompanied by the introduction of competition, as an incentive for efficiency, and by the removal of unnecessarily restrictive regulations. It therefore favours untying (phased over a short period if absolutely necessary), complemented by careful attention to the types of process regulation which are necessary in the interests of accountability.

 Agencies are required under Department of Finance's Finance Direction 29, which is consistent with Principles 9, 10 and 18 of the 1988 Guidelines on Government Services, to:

- charge, as a general rule, for goods and services provided between departments, unless there are any significant community service obligations, the commercial transaction is of a one-off nature, or the associated administrative costs exceed the expected efficiency gains (also Australia, DoF, 1991a & 1992h; Australia, Parliament, 1990c: 44-5; Shand 1989b);

- set charges at "... a rate designed to maximise the overall improvement in resource allocation" (Finance Directions 29B); and

- review the level of charges annually.

Thus, in principle, the direct and indirect costs, including the opportunity cost of capital, should be reflected in the price (Australia, DoF, 1991a: 18-20). For commercialising APS agencies that provide a common government service, this requires the full costing of that service, which at least one agency is sceptical about:
As a [common government services] user the Department [of Transport and Communications] ... doubts that charging agencies have the necessary accounting systems in place to identify costs accurately. It also doubts that significant cross-subsidisation of public interest activities has been eliminated under the pricing policies that pertain to the services it uses (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 642).

It also requires the negotiation with the purchasing agency of a Memorandum of Understanding, which specifies the services to be provided and the basis for charging, and of a Service Level Agreement, which specifies the nature and basis of the services to be provided (Australia, MAB-MIAC 1992c: 62). Such agencies are required to prepare annual accounting statements on a full accrual basis, as if they were Government Business Enterprises (GBEs) (Australia, DoF, 1991b & 1991c). Full cost recovery, however, is recognised as not preferable in all cases, thus potentially allowing a variety of pricing strategies (including marginal cost pricing when in the "public interest"), upon a basis determined by government (Australia, DoF, 1991b: 4 & 20-3; Australia, Parliament, 1990c: 45).

As to the making of pricing decisions, Principle 17 of the 1988 Guidelines on Government Services declares:

Subject to achievement of their overall financial targets and consistent with commercial practice, service agencies should retain full management discretion in relation to the structure and level of charges for their individual services to individual clients. Where service agencies retain a degree of 'monopoly
power’ in relation to a given service, disputes regarding the level and structure of charges for that service should be referred to the responsible Minister if not resolved between the service provider and its clients.

There is, however, little evidence of common government service agencies adopting marketing-driven strategic pricing tactics (see, for example, Mellows, 1993: 335), such as temporary at-cost, even below-cost, pricing, to deter entry into the APS market by competitors, and so to retain market share; price skimming, to take advantage of a superior market position; or price differentiation, so that different prices are paid for the same product in different market segments (Australia, DoF, 1991b: 23; also a discussion on this issue in Australia, Parliamentary Debates, Senate, Estimates Committee D, 10 September 1992: D 32-3, but also D 62-3).

The decision to apply user charges to goods and services provided to external clients involves a complex set of policy issues (see, for example, Rose, 1990). They revolve around the desirability of using the market mechanism as a means of determining service utilisation and service quality and the conceptualisation of the “public interest” dimensions (especially political responsiveness, desired social justice outcomes and the perceived economic and social benefits to the community) of any service provision. The imposition of full-cost (or near full-cost) user charges for previously budget-funded goods and services may results in a reduction in demand that may well reflect more than just a more discerning approach to service utilisation by service recipients. The imposition of nominal user charges on goods and services is, however, a twin-edged sword, for, on the one hand, there is a pressure to meet customer needs but, on the other, the extra-budgetal revenue received may not be sufficient to justify, let alone finance, the required service changes or extensions.
Budget Supplementation

The decision to commercialise common government services involves concomitant decisions about client agency budget supplementation. The issue is whether or not to transfer some or all of the budget allocations that would have been made for the central provision of such services to client agencies. Under Principles 13 of the 1988 Guidelines on Government Services client agencies can temporarily offset the cost of commercialising a previously budget-funded common government services by means of budget supplementation. The policy issue for government is, of course, the degree of supplementation that should be provided, for it is in the interests of both the client and the supplying agency to gain full supplementation, regardless of the potential efficiency gains projected. It also raises the issue of whether client agencies should be able to have some discretion over the supply of common government services, and the level and quality of such services they wish to purchase. The 1988 Guidelines on Government Services makes two declarations on this issue:

Where charges are made for a service, client departments should normally receive and control the appropriations available to acquire the services. However, if charges are introduced for a service subject to a tied-client arrangement, case-by-case consideration should be given to the desirability of the supplying agency having control over the funds (through appropriation or sub-warrant control arrangements) [Principle 12].

Introduction of charges for a given service with devolution of associated funding to departments should be accompanied by
supplementation of client's budgets, the level to be decided upon [Principle 13].

On budget supplementation the Department of Primary Industries and Energy has judged (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 469):

In the long term we believe that [common government services] will be efficient, however, at this time the devolution of funds does not appear consistent with resource requirements that the new [commercial] practices mandate.

Revenue Retention

Revenue retention is a key issue for commercialising APS agencies, for it offers a financial incentive that encourages increased efficiency and cost reductions. The 1988 Guidelines on Government Services addresses this issue for common government service providers as follows (also Australia, DoF, 1988c):

The disposition of the net surplus (if any) of the service agency after payment of all costs, should be considered annually against the general principle that surpluses will often need to be retained by the agency to finance future requirements of the agency [Principle 19].

This begs the question: what assumptions about future demand, future service performance, future depreciation rates, future capital requirements and future commercial risks should be made to determine what constitutes
a reasonable level of resources for future requirements (Australia, ANAO, 1993: 9)?

Undoubtedly, revenue retention creates a dilemma for both government and even a commercialising agency confronting a situation where its commercial activity's commercial and non-commercial goals do not coexist comfortably.

For government, allowing APS agencies to retain their net commercial (extra-budgetary) revenue has the potential to reduce budgetary control over service provision, especially where that agency's core business has been commercialised. It also has the potential to reduce the government's flexibility to cross-subsidise in order to meet policy objectives. Decisions relating to revenue retention are, to some extent, determined by what government expects to be the ultimate status of the commercialising APS agency. If it is expected to become a self-funding agency then the argument for revenue retention, through net appropriations (that is, outlays offset by Trust Account net receipts (that is, Trust Account receipts less Trust Account expenditures)) is overwhelming. If, however, there is no prospect of an agency becoming self-funding, then the argument for gross appropriation (that is, all outlays are covered by appropriations and Trust Account receipts are transferred to the Consolidated Revenue Fund) is stronger. Some incentives can be retained, by establishing a mechanism for returning some of the commercial revenue as part of the budget process. There is also the issue of whether commercialising APS agencies should be able to retain revenues that are the result of monopoly rent, created because they operate as regulated monopolies. The alternative is for government to demand a higher rate of return on funds invested or to impose other charges (or taxes).
From an agency's perspective, the retention of revenue by an constituent administrative unit with a commercial orientation but with primarily non-commercial goals can create incentives that may distract it from the achievement of those goals.

The Department of Finance has recently concluded (1993f: 2) that negotiation of revenue-retention arrangements in the context of resource agreements is

... now an accepted part of the financial management culture and the issues involved in the development of the agreements are, in many cases, not contentious.

Market Deregulation

The deregulation of the provision of common government services gained policy momentum from the mid-1980s (Dawkins, 1986; Porter, 1986; Quiggin, 1986). Under Principle 4 of the 1988 Guidelines on Government Services the requirements imposed upon APS agencies with respect to the supply of common government services are as follows:

Devolution to individual departments of management responsibilities for the supply of [common government] services, whether by way of managing in-house supply or contracting supply from the private sector, should satisfy the test that service supply by individual departments is more cost-effective than supply by a central agency from the perspective of the Commonwealth at large (as distinct from the perspective of individual departments).
The phased deregulation of the supply of common government services (required under Principle 3 of the 1988 Guidelines on Government Services) over a three-to-five year period now has wide agencies support, because "... they perceive suppliers to be more responsive when in a competitive environment and they themselves more focussed when required to compete" (Australia, MAB-MIAC Task Force on Management Improvement Task Force, 1992a: 285; also 1993). This gives rise to a set of thorny policy issues relating to the appropriate degree of control that the central co-ordinating and control agencies should have over agency supply options (notably contracting-out or in-house production decisions) and over APS agencies supplying commercialised common government services. Finance Direction 25F states:

Where a Commonwealth department or agency that operates on the public account produces or plans to produce goods and services that would otherwise be purchased from the private sector or another Commonwealth body (eg the Department of Administrative Services) such in-house production must be justified having regard to its full cost to the Commonwealth.

Principle 15 of the 1988 Guidelines on Government Services asserts:

The cost effectiveness of service management provision by individual program agencies should be subject to external scrutiny no less rigourous than that applied to service provision by central service agencies.

Market deregulation also has implications for the common government service provider. The 1988 Guidelines on Government Services espouses:
As a first step in establishing any quasi-commercial service agency, and subject to agreement regarding their 'bottom line' financial targets, they should be free to exercise a high degree of management discretion and flexibility by removing controls in respect of:

- ASL and staffing profiles;
- the resourcing mix to be adopted in service delivery (e.g. directions regarding the mix of in-house and contract resources);
- the use of fee receipts in meeting operating and capital expenses;
- the structure and level of fees for service to individual clients; and
- reporting requirements other than those applicable to government business enterprises and to meet the reporting requirements of Parliament.

But one senior official in DAS was able to assert in the early 1990s, with a degree of veracity, that DAS commercial activities could not operate as if they were a private enterprise because (Australia, Parliament, 1990c: 50-1):

- they pay public service wages and conditions (especially superannuation) that are superior to those in the private sector, and thus more expensive;
- they have legislative constraints that do not equally apply to the private sector (such as freedom of information,
reporting requirements, occupational health and safety, and equal employment opportunity);

- they face constraints on how they use their retained earnings, how they use their financial assets, the extent of contracting-in and contracting-out of services, how they tender and purchase, and how they recruit, recompense and motivate staff;

- they have an externally imposed limits on their debt/equity ratio and their working capital; and

- they are unable to make commercial decisions on a strictly commercial basis (such a withdrawing from a loss-making activity) where that impinges on government policy.

In this context, DAS, has since been able to negotiate some flexibilities that are not readily available to other commercialising agencies, specifically (McAlister, 1991: 5-6):

- a reduction in external SES controls;

- the creation of a DAS-specific ‘commercial officer structure’;

- the employment of more fixed-term contract and part-time or casual staff;

- the payment of special allowances (such as overtime payments to ‘above barrier’ staff, site allowances and bomb appraisal allowances);

- the introduction of reviewable productivity-related pay components; and, ultimately; and
• the introduction of financial participation schemes for employers.

The speed at which deregulation of its common government services markets has taken place have not significantly inhibited by the constraints within which DAS conducts its commercial activities, which have been under consideration since March 1991 by an Inter-departmental Committee appointed to examine "public sector constraints affecting the commercial operations of government" (Australia, ANAO, 1993: 20).

Ministerial Intervention and Control

The decision by government to commercialise a particular budget-funded activity implies the desirability of that activity being provided on a fee-for service basis within the rigours and rigidities of an extant set of politico-administrative procedures and practices. In so doing a new politico-managerial situation is created; one that requires a re-defining of the relationship between:

• the responsible Minister, who could properly expect managers of commercial activities within an APS agency to:

  • contribute to the achievement of identified public policy goals;
  
  • deliver high standards of probity, fairness, equity and equality; and
  
  • accept ministerial intervention on matters impacting upon the "public interest"; and
• the managers of such commercial activities, who could properly be expected to deliver, simultaneously, acceptable commercial outcomes, in terms of outputs, costs, service quality and/or profits.

Any such re-definition of ministerial-manager (principal-agent) relations involves the conferring of property rights and the articulation of a governance process, which could take many forms:

• ministerial control could be focused on decision-making areas of strategic importance to government, with other areas of decision-making delegated to management;

• ministerial intervention could involve joint decision-making with management as a result of an on-going dialogue between the two parties; or

• ministerial guidance (in the form of formal or informal ground rules) could be given on what is acceptable commercial behaviour and risk taking, with ministerial oversight limited to ratifying business plans, which articulate financial and other performance targets and the strategies to be used to achieve them, and to monitoring, evaluating and supervising commercial performance.

The complexity of this bilateral relationship depends on the relative importance of the commercial activity in the context of the responsible Minister's Portfolio; and the political sensitivity of the commercialising agency's production, investment, pricing and marketing linkages with its stakeholders (including Parliament, other agencies (as consumers, as co-
ordinators and as controllers), employees, suppliers, trade unions, the private sector, and community and other interest groups).

The 1988 Guidelines on Government Services acknowledges this issue and offers a process to help resolve any potential conflicts:

Each service unit should be managed in accordance with a written management ‘charte’ endorsed by the responsible Minister and/or Cabinet as appropriate [Principle 5].

Each unit supplying a service should provide the responsible Minister with a corporate plan covering periods of three-to-five years ahead for consideration and approval [Principle 6].

DAS has sought to operationalise these principles into an accountability framework involving (Australia, DAS, 1992d: 6-9):

- ministerial review and approval of business “charters”;
- ministerial review and approval of business plans;
- ministerial reporting on performance against business plans;
- ministerial directions in relation to:
  - DAS’s involvement in non-Commonwealth markets and joint ventures;
  - avoidance of conflicts of interest;
  - expectations regarding advice to the Minister about the activities of external review bodies; and
• expectations regarding advice to the Minister about matter expected to give rise to media coverage or come to the attention of Parliament;

• ministerial ad hoc briefings and reports; and

• ministerial review of annual estimates, the annual report and financial statements.

DAS draws attention to two significant issues in relation to its accountability framework. First:

given the unlimited nature of the Minister’s formal accountability to the Parliament for the department’s operation, his/her involvement in the consideration of business plans, monitoring of performance and issues of direction could be expected to entail somewhat closer continuing oversight . . . than would typically apply to a statutory business enterprise (Australia, DAS, 1992d: 9).

Secondly, that effective oversight requires the provision of independent advice on business plans and performance (Australia, DAS, 1992d: 9-10), hence the formation of DAS Board of Management and the appointment of external members to it (also Bashford, 1990: 162). The conclusion drawn by DAS (Australia, DAS, 1992d: 5) is that:

To a far greater extent than in other Departments, the Minister’s (and the Secretary’s) involvement in the operations of DAS’s commercial services will necessarily tend to be confined to the setting/endorsement of strategic direction and key performance targets, and the monitoring and reporting of results.
The public accountability implications of this remain unclear in the context of the Westminster accountability tradition.

Accountability

The doctrine of accountability, generally referred to as ministerial responsibility, contains two propositions: (i) ministers are individually responsible to parliament for the affairs of their departments; (ii) cabinet is collectively responsible to parliament and the electorate for the conduct of government. The first implies that parliament can call ministers to account for the mistakes that occur in their department’s policy area, i.e. parliament can question and if necessary censure ministers. The second implies that either parliament or the people may dismiss a government with whom they are dissatisfied. Together, the two establish that government is subject to political control (Emy, 1978: 246).

The line of accountability in a Westminster politico-administrative system is, in principle, that public servants are responsible to Ministers, who are responsible to Parliament, which is responsible to the people, by means of periodic elections (Australia, DPM & C, 1989; Australia, PSC, 1987: 1-5; Emy, 1978; Kellow, 1990; Pearce, 1986; Reid, 1968 & 1980; Thynne, 1983; Wilenski, 1979a & 1979b). Thynne and Goldring (1981: 199) elaborate on the Westminster accountability tradition:

[Ministers] have the responsibility of administering departments which they have been appointed to head and, subject only to relevant statutes, they may take decisions or perform acts (within
the field of their Portfolios) at every level of generality or
particularity. . . . As [the controlled] they are called by Parliament
to account for their departmental activities, to take the blame if
things are not in accordance with parliament's expectations, and
to resign if their departments are ever found to be seriously at
fault. Public servants, on the other hand, are formally
subordinate to the Ministers and constitutionally they are neutral
and anonymous instruments of executive will. Their
responsibility is direct to Ministers through the hierarchy of the
departments in which they are organised, and by reason of their
positions they are responsible for advising and in other ways
serving their Minister in a loyal but politically-neutral manner
[also Campbell, 1977; Crawford, 1975; Hawker, 1981; Heseltine,
1993; Wheller, 1964].

This gives Parliament the responsibilities described by John Stuart Mill
(1977: 434):

. . . to watch and control government; to throw the light of
publicity on its acts; to compel a full exposition and justification
of all that anyone considers questionable, and if the men who
compose the government abuse their trust, or fulfil it in a
manner which conflicts with the deliberate sense of the nation,
to expel them from office, and either expressly or virtually
appoint their successors [also Australia, Parliament, 1989a &
1990c].

This perception of the role of Parliament would not be shared by those who
take the contrary view, described by Birch (1966: 165), that " . . . the
government has a mandate to put its policies into effect, and is ultimately answerable to the electorate (not Parliament) for their success.”

The Westminster accountability convention is thus that Ministers answer to the Parliament for the conduct of their Portfolio (Reid, 1980). The forms of each chamber provide for that to happen in debate, in Question Time and in committees. By this means the parliamentary process can expose a Minister and enable the electorate, ministerial colleagues and the Prime Minister to make judgments about ministerial efficiency, competence, frankness and honesty. According to a former Prime Minister, Mr R. J. L. Hawke (1989) the full accountability of Ministers for the actions of their departments is far-fetched, because of the greater complexities of politico-administrative realities (also Weller & Gratten, 1981). In evidence to a Senate committee in mid-1993 a former New South Wales State Premier, Mr Neville Wran preferred to describe it as “fantasy” (quoted in *The Canberra Times*, 21 July 1993: 1). It must be acknowledged, however, that, as Rose (1987) metaphorically describes, the ship of state has one tiller steered by two pair of hands. A somewhat blurred, if not an artificial, distinction can be drawn between “policy” (and “policy-making”), for which Ministers are responsible, and “implementation of policy” (or the “exercising administrative discretion within the context of extant administrative policy”), for which public servants are responsible (Summers, 1980; Wilenski, 1979a & 1979b; also Herbert, 1989; Maynard-Moody, 1989). As Wilenski (1986b: 54) notes, however:

Administrative decisions such as the amount to be allocated to advertising for a benefit program, the siting of an employment office, the office opening hours, the design of an application form for benefits, the choice of qualifications required of interviewing-officers for welfare beneficiaries, the financial reporting required
of groups in receipt of community development grants, all alter the outcome of programs [also Uhr, 1990b].

Public accountability has been defined narrowly by the Senate Standing Committee on Finance and Public Administration (Australia, Parliament, 1990c: 90) as:

The obligations of persons/authorities entrusted with public resources to report on the management of such resources and be answerable for the fiscal, managerial and program responsibilities that are conferred.

In this context, the Auditor General has expressed the obvious view that:

Commercialisation . . . involves a Department of State remaining accountable to its Minister and subject to most public service administrative and financial controls and processes, but operating outwardly in a commercial manner (Australia, ANAO, 1992c: 1).

The accountability implications of commercialisation have, however, only just begun to be explored (Australia, DoF, 1991b & 1991c; Australia, Parliament, 1993), although much has been written on the public accountability of GBEs (Australia, ARC, 1993; Australia, DoF, 1988b; Australia, MAB-MIAC, 1991d & 1993c; Australia, Minister for Finance, 1987; Australia, Parliament, 1989b & 1991a; Australia, Treasury, 1990; Mascarenhas, 1988; McCrae, 1992; Monaghan, 1987).

It must be recognised that, unlike GBEs, commercial activities within an APS agency are not a step back from direct ministerial control and thus ministerial responsibility. Their degree of operational independence is a matter of ministerial discretion. Any weakening of the degree of
ministerial authority over a department's commercial activities raised important issues of ministerial accountability. As the Coombs Royal Commission on Australian Government Administration concluded (RCAGA, 1976: para 2.1.6):

\[ \ldots \text{in a system which combines the anonymity of officials with the inability of ministers effectively to accept responsibility, effective and economical administration can fall between the stools of the theory of ministerial responsibility and the practice of management by anonymous officials. Clearly their is a dilemma here which must be faced.}\]

As there is a fundamental connection between control over decision-making and accountability, the key issue being how far a Minister can (or should) be held responsible for the conduct (or misconduct) of an APS commercial activity. A balance must clearly be achieved between the need for a commercialising APS agency to be able to pursue commercial goals and the responsible Minister's need to ensure appropriate parliamentary accountability, especially where the goods and services are provided through a regulated monopoly, thus generating a potential for monopoly rent.

In striking its accountability balance, the Joint Committee of Public Accounts has recommended (Australia, Parliament, 1989c: 235) that commercialising agencies with Trust Accounts be required "to prepare financial statements in such forms as the Minister for Finance determines and in accordance with the Guidelines for the Form and Standard of Financial Statements of Commonwealth Undertakings (Australia, DoF, 1988b). In a subsequent report (Australia, Parliament, 1989d: 88) it advocated that departmental annual reports should include not only
audited financial statements relating to commercial and quasi-commercial activities conducted by a department, but also information on their operating performance (such as operating surplus as a proportion of total assets employed, trends in turnover, and non-financial performance measures).

In striking his accountability balance the then Minister for Administrative Services, Senator Robert Ray, made it clear to the members of the Senate Estimates Committee E as early as 13 October 1988 that he would not countenance the disclosure of commercially sensitive information if such information "... would affect adversely the future commercial interest of [DAS] businesses" (Australia, *Parliamentary Debates, Senate, Estimates Committee E*, 13 October 1988: E 62-63). He did, however, agree to take on notice question of what he considered to be a commercially sensitive nature, and to provide answers in camera (Australia, *Parliamentary Debates, Senate, Estimates Committee E*, 13 October 1988: E 63). This issue emerged again during the 1990 Senate Estimates review process. One members of the Senate Estimates Committee reviewing DAS estimates for 1990-91 observed that DAS Trust Accounts took $2.4 billion off budget causing him to conclude: “The problem at the moment is that there is no accountability what so ever, except to the Auditor-General” (Australia, *Parliamentary Debates, Senate, Estimates Committee D*, 13 September 1990: D 7). In response, the then Minister of Administrative Services, Mr Nick Bolkus, stated that Trust Account details could be provided, but that he was concerned about “commercial sensitivities of such information (Australia, *Parliamentary Debates, Senate, Estimates Committee D*, 13 September 1990: D 7-8).

The Joint Committee of Public Accounts has initiated an enquiry into the commercialisation of public sector operations, embracing “the
accountability of commercialised agencies and the mechanisms needed to ensure their accountability” and “the efficiency, effectiveness and appropriateness of corporatisation as a means of service delivery to the public” (Australia, Parliament, 1993: 4). The issues of particular concern to that Committee would seem fundamental, and include (Australia, Parliament, 1993: 2-3):

- the potential for conflict between commercial and public interests;
- whether competition with the private sector should occur;
- whether commercially-oriented agencies that must return a profit can be expected to behave with integrity and ethically when it costs them money;
- whether objective policy advice can be given by agencies in relation to activities in which its commercial interests compete with the private sector; and
- whether commercial interests are within the constitutional powers of the Commonwealth.

There is, of course, another accountability dimension, notably that a balance must also be struck between managerial responsibility and accountability by means of judicial and merit review (Jinks, 1989; Nelson, 1989). The Senate Select Committee on Finance and Public Administration in its 1991 review of the Commonwealth Ombudsman (Australia, Parliament, 1991d: 42), concluded that with respect of GBEs and commercialising agencies the Ombudsman is “an aid to their commercial activities rather than a hindrance”, because it was “a means to monitor and improve quality control in their commercial operations.” The Committee
recommended that commercialising agencies remain within the jurisdiction of the Ombudsman, although it accepted the view expressed by the Department of Administrative Services that the Ombudsman should have no jurisdiction over decisions and information relating to commercial matters (specifically, pricing, the allocation of costs to individual projects and clients or individual investments). The Ombudsman, however, has expressed "... some concerns about the accountability of agencies moving to more commercial practices" (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 556).

Managers of commercial activities find themselves with multiple points of accountability that are not too dissimilar from those confronting their GBE counterparts, namely:

- the departmental Secretary;
- the responsible Minister;
- parliamentary scrutiny mechanisms;
- the Auditor-General;
- judicial and merit review agencies;
- central APS co-ordinating and control agencies;
- fee-paying service recipients;
- community service obligation recipients; and
- staff unions.
Yet there are some significant differences. In comparison with GBEs, commercialising agencies are subject to greater co-ordinating and control by central APS agencies, subject to more extensive judicial and merit review under administrative law mechanisms (see Australia, ARC, 1993), and subject to more direct Parliamentary scrutiny (Page & Painter, 1989: 103-108). Undoubtedly, commercialising APS agencies confront a chain of accountability that is more onerous than that faced by GBEs, which, in turn, is more complex than that faced by the private sector (McCrae, 1992: 508).

Under the prevailing management practices, managers of APS commercial activities face a number of accountability-related challenges. They are expected to be responsive and accountable not only to their their departmental Secretary, to their Minister and to Parliament for specific tasks or programs or for their use of resources, especially those with Trust Account responsibilities, but also to client groups in the market place, even when their respective interests are in conflict. They are expected not only to be prudent with public monies and keep costs at a minimum, but also to provide quality goods and services at the lowest possible price to a broad range of constituencies. Almost inevitably, this leads to difficult trade-offs, such as a choice between increasing (or even imposing) charges or reducing the number of clients served. They are expected to promote the integrity of their organisation, by supporting its leadership and organisational direction, even when that may be contrary to their commercial interests. They are expected, on the one hand, to achieve consistency and impartiality by the application of relatively inflexible rules and procedures, under the watchful eye of the review agencies, while, on the other, to achieve commercial targets through managerial flexibility. Clearly, such APS managers should not be held accountable for resources they do not have the authority to manage or for decisions made by their political and
bureaucratic masters. Thus there is a need to integrate the domains of managerial, agency executive and ministerial responsibility for APS commercial activities so that the accountability boundaries are clear and unambiguous. Otherwise, the allocation of managerial responsibility may bring into question the principle of responsible government: how far should public servants be protected from the whimsical acceptance or denial of ministerial responsibility?

Accessing Non-APS Markets

The practice charging of a fee (or seeking reimbursement) for the provision of goods and services to clients outside the APS is long standing and its potential for growth is considerable (Australia, Parliament, 1990c: 51-2), provided such action does not contravene the Australian Constitution. As the Commonwealth has no specific power to engage in commercial activities outside the Commonwealth public sector, it relies on other constitutional powers to sanction such activities (Australia, ANAO, 1992b: 29-30 & 1993: 11-12). The range of activities that commercialising APS agencies can engage in outside the Commonwealth public sector would seem to be limited to that that is "incidental" to a Commonwealth power, in the sense that those activities are "a by-product of maintaining adequate capacity to meet current (and expected) Commonwealth needs" (Australia, ANAO, 1992c: 11). The benchmarks for determining what constitutes an "incidental" commercial activity are vague, but relate to the current scale of non-Commonwealth public sector business and the commercialising APS agency's need to be able to respond to expected future Commonwealth public sector demands for the commercialised activity (Australia, ANAO, 1992c: 11-12).
The 1988 *Guidelines on Government Services* supports the principal of deregulated APS suppliers of common government services competing in non-APS markets under specific circumstances:

Service agencies operating on a full cost recovery basis in competition with the private sector for Commonwealth business should be free, subject to the agreement of the responsible Minister (if not already current practice), to compete for non-Commonwealth business [Principle 23].

The two key policy issues are: whether it is within the Commonwealth's constitutional powers and in the public interest for agencies to compete in non-APS market; and upon what basis should external clients be charged. The dilemma, of course, is that a commercialising APS agency operating in a deregulation market environment may find that while the private sector may be able to compete with it for Commonwealth public-sector market share, it may be unable to compete for market share in other markets, which may result in declining financial viability due to a shrinking client-base and thus a narrower spread of its fixed costs.

**Community Service Obligations**

While there is no universally accepted definition of "community service obligations" in the context of commercialising APS agencies, the *Commonwealth-owned Enterprises Act, 1991* (Section 1 (11)), defines it to includes all requests by the responsible Minister for action to be performed (or not performed) in the circumstances where the Board of the Commonwealth-owned enterprise consider that it is not (or is) in the
"commercial interest" of that enterprise to do so. The question begged by this definition is how should "commercial interest" be defined. In the context of a commercialising APS agency, there is also the issue of who should determine what is in its "commercial interest."

The 1988 Guidelines on Government Services treats the issue of "public interest" rather blandly:

If government decides that policy objectives or functions extending beyond the supply of basic service to clients are to be pursued, these should be identified explicitly in the management charter and corporate plans for the service in question and be taken into account in assessing the service Agency's performance [Principle 7].

The specific articulation by government of what a commercialising APS agency's community service obligations are, and how they should be accommodated, is fraught with difficulties (Australia, Parliament, 1992a). Some would even argue that they are so ethereal that they are just an excuse for continued public sector inefficiency (see, for example, Alston, 1989). Community service obligations reflect, in general, a government's societal (natural and social justice) objectives and range from the right of designated service recipients to receive services on a preferential basis (such as priority, below-cost or zero-price access to services), conceptualised as output costs (Australia, Parliament, 1992a: xv); to an agency's obligation to abide by particular administrative processes (such as freedom of information, occupational health and safety, equal employment opportunity, judicial and merit review, and environmental protection) or particular administrative practices (such as designating particular categories of suppliers or limiting assess to all potential supplier when purchasing or
contracting-out), because these processes and practices have an importance in their own right, conceptualised as input costs (Australia, Parliament, 1992a: xv). The concept of community service obligations has blurred boundaries. DAS has argued that services required by "government at large" (such as the answering ministerial questions) should be treated as if they are community service obligations (Australia, Budget, 1992c, No. 9.1: 37; also Bashford, 1990: 160). The fundamental issue is when does a community service obligation become just an act of good corporate citizenship, which should be expected of the business community, whether public and private. The Joint Committee of Public Accounts acknowledges that it is difficult to prescribe exactly what constitutes "social responsibility" (Australia, Parliament, 1992a: 5) or even "good corporate citizenship" (Australia, Parliament, 1992a: 21-2). It was, however, willing to grapple with the conceptualisation of the former in the context of GBEs, which it considered had the following dimensions (Australia, Parliament, 1992a: 109):

- environment (pollution control, prevention and disclosure);
- fair commercial practices;
- human resources (occupational health and safety);
- energy (conservation);
- products (safety);
- service provision (remote areas, to the disadvantaged and to the disabled);
• community involvement (community activities and health-related activities); and

• other (other disclosures and provision of additional information).

'Social responsibility' activities are those that (Australia, Parliament, 1992a: 109):

• constitute community service obligations;

• do not have purely financial implications;

• may be required of government entities but not of private enterprise;

• should be incorporated into organisational corporate plans; and

• have been adopted voluntarily by GBEs.

Increasingly, members of the corporate community are expected by their owners, their customers and government to internalise some of the externalities associated with their production and distribution of goods and services, notably environmental protection measures, and to maintain the highest possible social and ethical standards. Clearly, community service obligations produce allocative inefficiency in the name of equity (Australia, Minister for Finance, 1987). The existence of unaccommodated community service obligations blurs public accountability, by complicating the conceptualisation of "efficiency" and "effectiveness", and results in a cross-subsidisation of non-commercial service recipients, which disadvantages APS agencies that are expected to compete with the private sector.
Alternatively, community service obligations can be accommodated in various ways:

- by be either removing them from an agency's commercial activities;
- by the payment of an appropriate subsidy in compensation;
- by the acceptance by government of lower expected rates of return; or
- by the payment of compensation in lieu to the beneficiary of the community service obligation.

From the perspective of a commercialising APS agency the issues of importance are:

- what are the levels (or standards) of performance that apply with respect to its designated community service obligations;
- how much will those levels (or standards) of performance costs; and
- whether the public interest expenditure provided will cover those costs (see Australia, ANAO, 1993: 7-8).

Government must determine, on a case-by-case basis, how it can best accommodate community service obligations. More generally, they have become a focal point of an examination by both the Executive and Legislative branches of the federal government (Australia, Parliament, 1992a; Early 1991; Lansdown, 1990; Wettenhall, 1988b).
Commercial Failure

The search for greater efficiency and effectiveness through the introduction of market or quasi-market forces generates the risk of "commercial failure", which in the context of commercialisation has a spectrum of meanings. An APS commercial activity might be considered to be a "commercial failure" when it is:

- unable to generate a satisfactory rate of return on government funds invested;
- unable to achieve a satisfactory level of cost recovery (or target level of extra-budgetal revenue);
- unable to gain the necessary financial accommodation from government to finance its negative cash flow caused by:
  - revenue contracting faster than can be accommodated by cost cutting measures; or
  - costs expanding faster than can be accommodated by revenue growth; or
- unable to gain the necessary bureaucratic and/or political support for its continuance in the face of hostility from:
  - external stakeholders (such as customers, service recipients, special interest groups, private sector competitors, contractors, trade unions, central co-ordination and control agencies, review agencies, Cabinet and Parliament); or
  - internal stakeholders (employees and management).
Determining whether an APS commercial activity has “failed” or is “failing” is, of course, more a matter of political than financial judgment. When confronted with the prospect of a “commercial failure”, however, government can respond in a variety of ways, depending on:

- the nature of the commercial activities at risk;
- whether the public interest would be served by the continued public provision of those activities; and
- the likelihood of those activities being provided in an commercially acceptable way within an acceptable time-frame.

Where a “commercial failure” is likely to have consequences that are considered not to be in the public interest, then government could address the issue in two ways. First, it could reformulate the “failing” commercial activity’s commercial framework, thus giving it a further opportunity to make itself more acceptable to the stakeholders, by achieving financial and/or organisational viability within an agreed time-frame, by:

- reducing any rate of return expected on government funds invested in the commercial activity for a specific period of time;
- reducing the expected level of cost recovery (or target extra-budgetal revenue) for the commercial activity for a specific period of time;
- providing the commercial activity with a one-off cash injection, to finance measures that would raise revenue and/or reduce costs, by means of
• a grant from Consolidated Revenue;

• an interest or non-interest bearing loan from Consolidated Revenue; or

• an interest or non-interest bearing loan from revenue derived by other commercial or quasi-commercial activities within the commercialising agency;

• providing the commercial activity with periodic cash injections, for a specific period of time, to finance projected negative cash flows, by means of

  • grants from Consolidated Revenue;

  • interest or non-interest bearing loans from Consolidated Revenue; or

  • an interest or non-interest bearing loans from revenue derived by other commercial or quasi-commercial activities within the commercialising agency;

• amalgamating the "failing" commercial activity with one or more "successful" commercial activities within the same or in a different agency, so that the services at risk can gain the on-going cross-subsidisation needed to ensure their provision on an acceptable quasi-commercial basis; and/or

• providing the commercial activity with on-going operating subsidies from Consolidated Revenue or from revenue derived by other commercial or quasi-commercial activities within the agency, so that it can operate on an acceptable quasi-commercial basis.
In respect to a “failing” common government services that are being commercialised, or have become commercialised, the options extend to:

- lengthening the transitional period over which a contestable monopoly market is to be converted to a competitive market, thus guaranteeing for that period an acceptable revenue base for the commercial activity at risk;

- re-tying some previously untied APS clients for a specific period of time, thus guaranteeing for that period an acceptable revenue base for the commercial activity at risk;

- re-tying all previously untied APS clients for a specific period of time, thus guaranteeing for that period an acceptable revenue base for the commercial activity at risk; or, ultimately, even

- abandoning user charging altogether by permanently re-tying all APS clients to a budget-funded central service agency.

Where a “commercial failure” does not have consequences considered to be against the public interest, then government could simply cease conducting that line of commercial activity. For a “failed” common government service this would mean that APS agencies would either have to provide that service on an in-house basis or by contracting-out for an acceptable substitute service.

The challenges facing commercialising agencies are thus varied. An agency commercialising previously budget-funded core services in a contestable or competitive market faces the ultimate financial challenge of achieving long-term financial viability within a time frame that is
acceptable to government. An agency commercialising previously budget-funded core services in a non-contestable monopoly market faces the challenge of achieving the required degree of cost recovery (or even a target profit) without alienating its stakeholders. An agency commercialising services that are incidental to its budget-funded core activities in any market environment faces the challenge of ensuring that the extra-budgetal revenue, and any other benefits so generated, is sufficient to offset any perceived financial or intangible costs generated by, for example, the introduction of new procedures, the adoption of information systems and the accommodation of organisational sub-culture incongruities. Central to the success with which these challenges are confronted are the creation of appropriate organisational and management environments within which managers of APS commercial (and quasi-commercial) units can effectively and efficiently manage their markets and resource. The creation of such environments crucially depends, upon the quasi-business development process that is put in place as part of the commercialisation process.
Appendix 4.1: APS Business Undertakings Under Group 2
Trust Accounts, 1992-93

PORTFOLIO

DEPARTMENTAL BUSINESS
UNDERTAKING

- Arts and Administrative Services
  - Business Services, embracing:
    - Land Surveying and Land Information Group
  - Australian Valuation Office
  - Australian Government Analytical Laboratories
  - Supply and Distribution
    - Australian Government Publishing Service
    - DAS Removals
    - DAS Distribution
    - DAS Purchasing Service
  - DASFLEET
- COMCAR
- Asset Services
- Artbank
- Australian Property Group
- Transport and Storage Group
  Property Realisation

- Attorney Generals:
  - Legal Practice
  - Commonwealth Reporting
    Service
  - Australian Protective Services

- Defence:
  - Defence Science and Technology
    Organisation

- Health, Housing, Local Government and Community Services:
  - Therapeutic Goods
    Administration
  - Commonwealth Rehabilitation
    Service
  - Australian Government Health
    Service
- Repatriation Canteens

- **Industry, Technology and Regional Development:**
  - Australian Industrial Property Organisation

- **Primary Industry and Energy:**
  - Australian Quarantine Inspection Service

- **Prime Minister and Cabinet:**
  - Public Sector Management Course

- **Treasury:**
  - Royal Australian Mint and Coinage

**Sources:** Australia, ANAO, 1993; Australia, Budget, 1992: Table 9; Australia, MAB-MIAC, 1992c.
### Appendix 4.2: Group 2 Trust Account Commercial Revenue 1988-89 to 1992-93 (1)

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<td>AAS (2)</td>
<td>750,024,516</td>
<td>2,688,853,712</td>
<td>2,442,899,752</td>
<td>2,839,635,718</td>
<td>2,615,344,254</td>
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<td>A-Gs (3)</td>
<td>-</td>
<td>-</td>
<td>101,386,740</td>
<td>245,502,630</td>
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<tr>
<td>Defense (4)</td>
<td>391,772,260</td>
<td>15,475,602</td>
<td>10,761,863</td>
<td>6,302,282</td>
<td>1,264,678</td>
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<tr>
<td>ES&amp;T (5)</td>
<td>138,252,443</td>
<td>1,021,558</td>
<td>1,081,972</td>
<td>1,322,690</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>HHLG&amp;CS (6)</td>
<td>4,877,812</td>
<td>8,051,382</td>
<td>20,327,921</td>
<td>26,943,081</td>
<td>25,633,906</td>
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<tr>
<td>PM&amp;C (7)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,699,713</td>
<td>0.28</td>
</tr>
<tr>
<td>Tourism (8)</td>
<td>-</td>
<td>1,903,115</td>
<td>2,026,574</td>
<td>2,310,955</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Treasury</td>
<td>327,360,675</td>
<td>67,808,806</td>
<td>66,144,069</td>
<td>73,701,936</td>
<td>52,640,097</td>
<td>0.78</td>
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<td>TOTAL</td>
<td>1,612,287,706</td>
<td>2,783,114,175</td>
<td>2,543,242,051</td>
<td>3,051,593,492</td>
<td>2,943,085,278</td>
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</table>
Notes:

(1) The following Group 2 Trust Accounts have been excluded because of their non-commercial character: Campaign Reserve; Office of Film and Literature-Public Awareness Campaign; Australian Heath Ministers’ Advisory Council; Australian Uniform Building Regulations; Australia-France Endowment; various Repatriation Hospitals; and the Australia-Indonesia Institute.

(2) Arts and Administrative Services. In 1992 the Arts function was added to this Portfolio, which resulted the Artbank Trust Account being added.

(3) Attorney-General’s. Acquired the Australian Protective Services Trust Account from the then Administrative Services Portfolio from 1991-92.

(4) Defence corporatised its quasi-commercial undertakings beginning in the late 1980s, sometimes as a first step towards privatisation.

(5) Environment, Sport and Territories, which included the Tourism function until 1991 and the Arts function until 1992. The 1988-89 data excludes the Australian Capital Territory (ACT) Trust Account, which only operated in that year. Trust Accounts deriving revenue only in that year from commercial activities in the ACT have, however, been included.

(6) Health, Housing, Local Government and Community Services. Embraces the Department of Health, Housing and Community Services and the Department of Veteran’s Affairs. The Local Government function was added in 1992. Australian Acoustic Laboratories Hearing Service Trust Fund and the Defence Services Homes Contents Insurance Trust Fund were established in 1991-92, but both were phased out of existence in 1992-93.

(7) Prime Minister and Cabinet.

(8) Tourism, created in 1991. The Bureau of Tourism Research Trust
Account operating from 1989-90 to 1991-92 after which it was converted to a Group 3 Trust Account.

## Appendix 4.3: Section 35 Revenue: 1988-89 to 1992-93

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliament (1)</td>
<td></td>
<td>1,148,067</td>
<td>236,063</td>
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<td>1.46</td>
<td>1.51</td>
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<tr>
<td>AA (2)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAS (3)</td>
<td>-</td>
<td>8,363,767</td>
<td>8,491,457</td>
<td>9,899,041</td>
<td>11,149,754</td>
<td>0.31</td>
<td>3.67</td>
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<tr>
<td>A-Gs (4)</td>
<td>67,899</td>
<td>16,486,484</td>
<td>23,674,888</td>
<td>65,296,991</td>
<td>61,434,704</td>
<td>5.38</td>
<td>11.89</td>
</tr>
<tr>
<td>Defense (5)</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>16,900</td>
<td>0.00</td>
</tr>
<tr>
<td>EET (6)</td>
<td>3,083,446</td>
<td>8,006,075</td>
<td>7,680,610</td>
<td>12,699,378</td>
<td>0.38</td>
<td>1.60</td>
<td></td>
</tr>
<tr>
<td>ES&amp;T (7)</td>
<td>-</td>
<td>22,468,449</td>
<td>23,112,807</td>
<td>25,576,447</td>
<td>14,644,788</td>
<td>2.69</td>
<td>6.50</td>
</tr>
<tr>
<td>Finance (8)</td>
<td>-</td>
<td>232,111</td>
<td>2,169,539</td>
<td>3,776,637</td>
<td>6,637,399</td>
<td>0.55</td>
<td>4.39</td>
</tr>
<tr>
<td>FA&amp;T (9)</td>
<td>-</td>
<td>6,848,775</td>
<td>6,484,673</td>
<td>7,927,397</td>
<td>12,498,460</td>
<td>0.42</td>
<td>3.11</td>
</tr>
<tr>
<td>HHLG&amp;CS (10)</td>
<td>-</td>
<td>2,508,930</td>
<td>24,402,356</td>
<td>39,672,890</td>
<td>39,644,131</td>
<td>0.83</td>
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</tr>
<tr>
<td>I&amp;EA (11)</td>
<td>807,170</td>
<td>2,208,000</td>
<td>3,660,161</td>
<td>5,705,847</td>
<td>16,858,847</td>
<td>4.26</td>
<td>6.37</td>
</tr>
<tr>
<td>IR (12)</td>
<td>93,077</td>
<td>1,076,349</td>
<td>1,300,018</td>
<td>4,021,756</td>
<td>2,252,830</td>
<td>1.04</td>
<td>2.27</td>
</tr>
<tr>
<td>IT&amp;RD (13)</td>
<td>-</td>
<td>3,484,340</td>
<td>14,095,534</td>
<td>18,868,526</td>
<td>17,843,834</td>
<td>1.29</td>
<td>4.09</td>
</tr>
<tr>
<td>PI&amp;E (14)</td>
<td>-</td>
<td>6,326,483</td>
<td>7,730,873</td>
<td>15,273,412</td>
<td>17,545,318</td>
<td>2.79</td>
<td>10.69</td>
</tr>
<tr>
<td>PM&amp;C (15)</td>
<td>-</td>
<td>1,816,923</td>
<td>2,212,315</td>
<td>2,200,191</td>
<td>3,183,627</td>
<td>0.31</td>
<td>3.95</td>
</tr>
<tr>
<td>SS (16)</td>
<td>-</td>
<td>678,989</td>
<td>897,662</td>
<td>2,113,152</td>
<td>3,187,776</td>
<td>0.30</td>
<td>0.31</td>
</tr>
<tr>
<td>Tourism (17)</td>
<td>-</td>
<td></td>
<td></td>
<td>66,654</td>
<td>115,805</td>
<td>0.12</td>
<td>1.21</td>
</tr>
<tr>
<td>T&amp;C (18)</td>
<td>-</td>
<td>1,026,153</td>
<td>773,129</td>
<td>1,464,996</td>
<td>1,412,127</td>
<td>0.04</td>
<td>1.06</td>
</tr>
<tr>
<td>Treasury (19)</td>
<td>-</td>
<td>4,910,920</td>
<td>8,762,737</td>
<td>11,269,976</td>
<td>16,408,217</td>
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<td><strong>TOTAL</strong></td>
<td>968,146</td>
<td>81,518,119</td>
<td>136,922,301</td>
<td>220,892,386</td>
<td>239,255,169</td>
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</table>

**Percentage of Running Costs**

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<th>0.01</th>
<th>0.96</th>
<th>1.48</th>
<th>2.08</th>
<th>2.20</th>
</tr>
</thead>
</table>
Notes:

1. Embraces the Parliamentary Departments which do not technically form part of any Portfolio.

2. Aboriginal Affairs, which was abolished in 1988 and replaced by the Aboriginal and Torres Strait Islander Commission.

3. Arts and Administrative Services. Prior to 1992 this was only Administrative Services.

4. Attorney-General’s.

5. Defence corporatised its quasi-commercial undertakings beginning in the late 1980s, sometimes as a first step towards privatisation.


8. Excludes Section 35 revenue generated from “exchange rate adjustments”.


12. Industrial Relations.

13. Industry Technology and Regional Development, which was, until 1992, Industry Technology and Commerce.


15. Prime Minister and Cabinet.


18. Transport and Communications.


### Appendix 4.4: APS Commercial Revenue: 1988-89 to 1992-93 (1)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliament (2)</td>
<td></td>
<td>1,148,067</td>
<td>236,063</td>
<td>1,721,334</td>
<td>1.46</td>
<td></td>
</tr>
<tr>
<td>AA (3)</td>
<td>251,471</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAS (4)</td>
<td>750,024,516</td>
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<td>2,626,494,008</td>
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<tr>
<td>Defense (6)</td>
<td>391,772,260</td>
<td>15,475,602</td>
<td>10,761,763</td>
<td>6,302,282</td>
<td>1,261,578</td>
<td>0.0</td>
</tr>
<tr>
<td>EET (7)</td>
<td>3,083,446</td>
<td>6,006,075</td>
<td>7,680,610</td>
<td>12,699,378</td>
<td></td>
<td>0.39</td>
</tr>
<tr>
<td>ES&amp;T (8)</td>
<td>138,252,443</td>
<td>23,490,007</td>
<td>24,194,779</td>
<td>26,899,137</td>
<td>14,644,788</td>
<td>2.69</td>
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<tr>
<td>Finance</td>
<td></td>
<td>232,111</td>
<td>18,594,998</td>
<td>3,778,637</td>
<td>6,637,339</td>
<td>0.55</td>
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<tr>
<td>FA&amp;T (9)</td>
<td></td>
<td>6,846,775</td>
<td>6,484,673</td>
<td>7,827,397</td>
<td>12,498,460</td>
<td>0.42</td>
</tr>
<tr>
<td>HHLG&amp;CS (10)</td>
<td>4,877,812</td>
<td>10,560,312</td>
<td>44,730,277</td>
<td>66,615,771</td>
<td>65,278,037</td>
<td>1.36</td>
</tr>
<tr>
<td>I&amp;EA (11)</td>
<td>807,170</td>
<td>2,208,000</td>
<td>3,660,161</td>
<td>5,705,847</td>
<td>16,858,847</td>
<td>4.26</td>
</tr>
<tr>
<td>IR (12)</td>
<td>93,077</td>
<td>1,076,349</td>
<td>1,300,018</td>
<td>4,021,756</td>
<td>2,252,830</td>
<td>1.04</td>
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<tr>
<td>IT&amp;RD (13)</td>
<td></td>
<td>3,484,340</td>
<td>14,095,534</td>
<td>18,869,525</td>
<td>17,843,834</td>
<td>1.29</td>
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<tr>
<td>PI&amp;E (14)</td>
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<td>6,326,483</td>
<td>7,730,873</td>
<td>15,273,412</td>
<td>17,545,318</td>
<td>2.79</td>
</tr>
<tr>
<td>PM&amp;C (15)</td>
<td></td>
<td>1,816,923</td>
<td>2,212,315</td>
<td>2,200,191</td>
<td>5,883,340</td>
<td>0.58</td>
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<tr>
<td>SS (16)</td>
<td></td>
<td>678,989</td>
<td>897,062</td>
<td>2,113,152</td>
<td>3,187,776</td>
<td>0.30</td>
</tr>
<tr>
<td>Tourism (17)</td>
<td></td>
<td>1,903,115</td>
<td>2,026,574</td>
<td>2,377,609</td>
<td>115,805</td>
<td>0.12</td>
</tr>
<tr>
<td>T&amp;C (18)</td>
<td></td>
<td>1,026,153</td>
<td>2,310,955</td>
<td>1,464,996</td>
<td>1,412,127</td>
<td>0.04</td>
</tr>
<tr>
<td>Treasury</td>
<td>327,360,675</td>
<td>72,719,726</td>
<td>74,906,806</td>
<td>84,971,912</td>
<td>52,640,097</td>
<td>0.78</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,613,255,852</strong></td>
<td><strong>2,864,632,294</strong></td>
<td><strong>2,698,127,637</strong></td>
<td><strong>3,272,485,788</strong></td>
<td><strong>3,165,932,230</strong></td>
<td><strong>7.59</strong></td>
</tr>
<tr>
<td><strong>Percentage of Running Costs</strong></td>
<td>18.44</td>
<td>33.65</td>
<td>29.25</td>
<td>30.82</td>
<td>29.17</td>
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</tbody>
</table>
Notes:

(1) Includes commercial Section 35 revenue and commercial Group 2 Trust Account revenue adjusted for any Community Service Obligation and operating subsidy appropriations.

(2) Embraces the parliamentary departments, which do not technically constitute part of any Portfolio.

(3) Aboriginal Affairs was abolished in 1988, replaced by the Aboriginal and Torres Strait Islander Commission.

(4) Arts and Administrative Services. Prior to 1992 it was only Administrative Services.

(5) Attorney-General's.

(6) Defence.

(7) Employment, Education and Training.

(8) Environment, Sport and Territories, but included the Tourism function until 1991 and the Arts function until 1992.

(9) Foreign Affairs and Trade.

(10) Health, Housing, Local Government and Community Services, embraces the Department of Health, Housing and Community Services and the Department of Veteran's Affairs. The Local Government function was added in 1992.


(12) Industrial Relations.

(13) Industry Technology and Regional Development, which was, until 1992, Industry Technology and Commerce.

(14) Primary Industries and Energy.

(15) Prime Minister and Cabinet.
(16) Social Security.


(18) Transport and Communications.

Appendix 4.5: Self-Assessment of APS Agency Implementation of User Charging, 1992

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<th>Agency</th>
<th>Degree of Implementation:</th>
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<tr>
<td>ACS</td>
<td>X</td>
</tr>
<tr>
<td>AIDAB</td>
<td>X</td>
</tr>
<tr>
<td>AIR</td>
<td>X</td>
</tr>
<tr>
<td>ANAO</td>
<td>X</td>
</tr>
<tr>
<td>ATSIC</td>
<td>X</td>
</tr>
<tr>
<td>ATUTA</td>
<td>X</td>
</tr>
<tr>
<td>DAGs</td>
<td>X</td>
</tr>
<tr>
<td>DAS</td>
<td>X</td>
</tr>
<tr>
<td>DASET</td>
<td>X</td>
</tr>
<tr>
<td>DEET</td>
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<td>DILGEA</td>
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<td>DIR</td>
<td>X</td>
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<tr>
<td>DITAC</td>
<td>X</td>
</tr>
<tr>
<td>Agency</td>
<td>Degree of Implementation:</td>
</tr>
<tr>
<td>--------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td></td>
<td>To a great extent</td>
</tr>
<tr>
<td>DPIE</td>
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<tr>
<td>DPM &amp; C</td>
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<tr>
<td>DSS</td>
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<tr>
<td>DTC</td>
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</tr>
<tr>
<td>DTREAS</td>
<td>X</td>
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<tr>
<td>DVA</td>
<td>X</td>
</tr>
<tr>
<td>OMBUDS.</td>
<td>X</td>
</tr>
<tr>
<td>PSC</td>
<td>X</td>
</tr>
</tbody>
</table>

**TOTAL**  
4 (15.4%)  
16 (61.5%)  
3 (11.5%)  
1 (3.9%)  
2 (7.7%)  

**Glossary:**

ACS: Australian Customs Service  
AIDAB Australian International Development Assistance Bureau  
AIR Australian Industrial Registry  
ANAO Australian National Audit Office  
ATSIC Aboriginal and Torres Strait Islander Commission  
ATUTA Australian Trade Union Training Authority  
DAGs: Attorney-General's Department  
DAS Department of Administrative Services
DASET  Department of Arts, Sport, Environment and Territories
DEET  Department of Employment, Education and Training
DEFENCE  Department of Defence
DFAT  Department of Foreign Affairs and trade
DFIN  Department of Finance
DHHCS  Department of Health, Housing and Community Services
DILGEA  Department of Immigration, Local Government and Ethnic Affairs
DIR  Department of Industrial Relations
DITAC  Department of Industry, Technology and Commerce
DPIE  Department of Primary Industries and Energy
DPM & C  Department of Prime Minister and Cabinet
DSS  Department of Social Security
DTC  Department of Transport and Communications
DTREAS  Department of the Treasury
DVA  Department of Veteran’s Affairs
OMBUDS.  Commonwealth and Defence Forces Ombudsman
PSC  Public Service Commission

Source: Australia, MAB-MIAC Task Force on Management Improvement, 1993 (responses to agency survey question Part A No. 5)
## Appendix 4.6: Commercial Activities Conducted by APS Agencies

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<th>PORTFOLIO</th>
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<th>COMMERCIALISATION QUADRANT</th>
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<td>• Parliament (5):</td>
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<td></td>
</tr>
<tr>
<td>• Library services (2)</td>
<td>B</td>
<td></td>
</tr>
<tr>
<td>• Reporting services (2)</td>
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</tr>
<tr>
<td>• Information services</td>
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<td></td>
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<tr>
<td>related to Parliament (3)</td>
<td>B</td>
<td></td>
</tr>
<tr>
<td>• Arts and Administrative Services</td>
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<tr>
<td>• Accommodation and property owner services (1)</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>• Surveying, geodetic, mapping and land information services (2)</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>• Analytical chemistry and microbiotic services (2)</td>
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<td></td>
</tr>
<tr>
<td>• Real and other property</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
valuation services (1) C

• General Printing (1) C

• Government publishing services (1) B

• Storage and transport of goods (1) C

• Domestic and international household removals and office relocations (1) C

• Purchasing consulting (1) C

• Passenger and commercial fleet management services (1) C

• Car hire services (2) C

• Asset repair, maintenance and minor construction services (1) C

• Art rental services (2) C

• NOMAD, a records management system (2) C

• Sale of overseas property (3) B
• Sale of (Transport and Storage Group) property (3)  B
• Electoral administration (3)  B
• Archival services (1)  B

• Attorney Generals:

• Legal services (1)  C
• Reporting and transcription services (2)  C
• Legal information retrieval services (2)  C
• Freedom of information training services (1)  C
• Access to mainframe computer capacity (1)  D
• Protective services (1)  B
• Policing services (3)  C
• Information services in relation to the Family Court (3)  B
• Services delivered by the
Federal Court (3) B

- Services delivered by the Human Rights and Equal Opportunity Commission (2) B
- Transaction reports and analysis services (2) B
- Services in relation to criminal and security intelligence (3) B

- Defence
  - Research and development services (3) B

- Employment Education and Training:
  - Temporary and special job-brokerage services (3) C
  - APS recruitment (1) B

- Environment, Sport and Territories:
  - Advisory and information services in relation to Antarctica (3) B
• Meteorology services (2) C

• Advisory, information and other services in relation to related to territory administration (3) B

• Scientific research services (2) B

• Finance:

  • Bank fees and credit charges (1) B

  • Training services (3) B

  • Advisory services in relation to financial administration (2) B

  • Information services in relation to the Retirement Benefit Office (3) B

• Foreign Affairs and Trade:

  • Promotion of Australia overseas (2) B

  • Secret intelligence services (3) B

  • Services in relation to
the administration of foreign aid (3) B

- Information services related to foreign affairs and trade (3) B

- **Health, Housing, Local Government and Community Services:**

  - Testing of new drugs (3) B
  
  - Rehabilitation service (3) C
  
  - Repatriation hospital services (3) B
  
  - Radiation laboratory services (2) B
  
  - Repatriation canteen services (3) B
  
  - Medical advisory and health assessment services (2) C
  
  - Defence services home contents insurance (2) B
  
  - Access to mainframe computer capacity (1) D
  
  - Information technology (4) B
  
  - Training services and facilities (2) D
• Promotional activities (2) D
• Video production (2) D
• PABX services in shared
tenancies (2) D
• PAPS personnel system (3) D
• Information services in relation
to the health, housing, local
government and community
services (3) B

• Immigration, and Ethnic Affairs:
  • Visa issue (3) B
  • Compliance enforcement (1) B
  • English testing (3) B
  • Translation and interpreting (2) C
  • Arrival accommodation(3) C
  • Information technology (2) C

• Industrial Relations:
  • Federal award text retrieval
services (2) B
• Industrial relations training (2) B

• Services delivered by

   COMCARE (2) B

• Industry, Technology and Regional Development:

  • Specialised customs services (3) B

  • Advisory and information

   services in relation to patent

   services (3) B

• Research and development

  tax rulings service (3) B

• Publications sales B

• Overseas counselling service B

• Primary Industries and Energy:

  • Examination of new plant

   varieties (3) D

  • Information technology

   services (4) B

  • Research on agricultural

   and resource economics (2) C
• Quarantine inspection (3)  B
• Quarantine consulting 3)  B
• Nuclear monitoring services (3)  D
• Mineral resources consulting
  and research services (2)  C
• Rural resources consulting and
  research services (2)  C
• Geological survey services (2)  C
• Photocopying and printing
  services (2)  D
• Training services and
  facilities (2)  D
• Information technology (2)  D
• Advisory and information
  services related to primary
  industries and energy (3)  B

• Prime Minister and Cabinet:

• Public sector management
  development and training (2)  C
• Audit services (1) B
• Services delivered by the Merit Protection and Review Agency (2) B
• Scribe services for SES selection panels (1) B
• Joint Selection Committee Services (1) B

• Social Security:
  • Benefit payment processing (1) B
  • Benefit eligibility assessment (1) B

• Tourism:
  • Research and statistical services and publications sales (2) B

• Transport and Communications:
  • Testing of flight recorder systems (3) D
  • Assessment of ship radio and navigation equipment (2) D
• Selling of editorial space
  in in-house publications (2)  D

• Conference and seminar
  presentations (2)  D

• Information services (2)  B

• Treasury:

• Production of coins, medallions,
  medals and tokens (2)  B

• Advisory and information
  services in relation to the
  statistical services (2)  B

• Selling of advertising space in
  in-house publications (2)  D

• Services provided by the
  Australian Taxation Office (1)  B

• Services delivered by the
  Insurance and Superannuation
  Commission (3)  B

• Services in relation to
the Industry Commission (3) B

- Services in relation to the
  Trade Practices Commission (3) B

- Services in relation to the
  Prices Surveillance Commission (3) B

Notes:

(1) Provided only to other APS agencies.

(2) Provided to other APS agencies and non-APS clients (government bodies outside the APS and private organisations and individuals).

(3) Provided only to non-APS clients (government bodies outside the APS and private organisations and individuals).

(4) Provided only to commercialising administrative units within the agency.

(5) Parliamentary departments do not technically form part of any Portfolio.

Sources: Australia, ANAO, 1993; Australia, Budget, 1992: Table 9; Australia, MAB-MIAC, 1991c; & 1992c; Australia, MAB-MIAC Task Force on Management Improvement, 1993.
5. COMMERCIALISATION: THE QUASI-BUSINESS DEVELOPMENT PROCESS

Enabling APS agencies to conduct commercial activities involves a quasi-business formation process by which, to vary degrees, in varying sequences, and over varying periods of time, a basic business framework is established and a range of the concomitant structural, cultural and practice-procedural issues are addressed (Ratnatunga & Dixon, 1993). Essentially this process must give the commercialising agency the capacity to:

- scan its markets to determine the level and nature of the demand for its commercialised goods and services; and

- respond to that demand, by effectively addressing and meeting client needs in way that is financially and organisationally acceptable to its external and internal stakeholders.

This chapter prescriptively articulates such a quasi-business formation process.

The Commercial Framework

The Australian National Audit Office has identified for each commercial activity the necessity of establishing financial, market, administrative, accountability and external control frameworks that are acceptable to the commercialising agency's stakeholders, especially the responsible Minister and the Department of Finance (Australia, ANAO, 1992c, 1992e & 1993). This involves establishing appropriate commercial ground rules.
Financial Framework

The preferred financial framework has to be decided upon. Where the commercialisation involves core activities of an agency the formation of one or more Trust Accounts by a Minister (as a Group 2 Trust Account under Section 60 of the Audit Act, 1901) has become the common approach (especially for the commercialising common government service agencies under Principle 18 of the 1988 Guidelines on Government Services). In the event of multiple core activities being commercialised within an agency a decision must be made as to whether one omnibus Trust Fund or a set of Trust Funds should be created. The former option creates within the agency a more integrated set of commercial activities, which permits a degree of financial flexibility, by facilitating transfers between sub-programs within the Trust Fund, so allowing sub-program cross subsidisation and better cash management. The latter option creates a more mutually independent set of commercial activities. The adoption of Section 35 procedures (under Section 35 of the Audit Act, 1901), which deem any revenue derived from the sale of appropriate goods or services to have been appropriated, is common when core activities are to be commercialised gradually or when a service incidental to a budget-funded activity of an agency is being commercialised.

The capital (or funding) framework has to be determined. This involves:

- identifying and agreeing upon the cost of any assets to be transferred;

- setting levels and basis of repaying any establishment grants (including capital advances and some contingency allowance), operating subsidies and "lines of credit" from
the Department of Finance, to meet expected working capital requirements (in the light of any projected cash-flow shortfalls), with the latter expected to be budget-neutral, thus repayable within the same financial year, and attracting a rate of interest equivalent to the long-term bond rate (Australia, Parliamentary Debates, Senate Estimates Committee D, 5 September 1991: D4);

- agreeing on the treatment of accrued liabilities (such as accrued long service, sickness and recreation leave);

- agreeing on how additional capital funds will be financed (from retained revenue, from annual budget allocations, by means of a Department of Finance "line of credit", or even by private financing);

- setting appropriate target rate of return on capital (if any);

- setting acceptable level of revenue retention (by means of a revenue retention resource agreement);

- deciding on any supplementary funding for insurance, one-off staff redundancy arrangements or future wage rises (Bashford, 1990: 160-1);

- setting the funding of any community service obligations (public interest expenditures); and

- deciding on what (if any) taxes should be paid.

The issue of the legality of an APS agency using part of its budget appropriation to support its commercial activities is in some doubt and has yet to be satisfactorily resolved (Australia, ANAO: 1992b: 29).
Market Framework

The market framework has to be determined. In accordance with stated government policy, the commercialisation of common government services involves first the creation of a regulated monopoly market, with a negotiated target deregulation date, so as to introduce a degree of contestability and, ultimately, competition. Agencies commercialising core (but not common government) or incidental services confront what ever market environment that emerges as a result of the commercialisation process, the nature of which may be affected by the thorny issue of the constitutional validity of endeavours by commercialising APS agencies undertakings to penetrate non-Commonwealth market segments.

Administrative Framework

The administrative framework has to be determined. While the managerialist reforms have shifted the focus of organisational structure from function to program; commercialisation requires a further refocusing to the client, so as to allow APS commercial activities to become more market-sensitive, as a precursor to becoming market-oriented or even client-driven. This needs to be done in the light of the decision regarding the preferred financial administration framework.

Accountability Framework

The accountability framework has to be decided upon. This relates to nature and periodicity of the performance information needs of the
Minister, Parliament and Department of Finance and other central control, co-ordination and review agencies, including:

- financial management performance indicators (such as net operating profit, gross sales, sales per employee, net profit as a percentage of sales, return on total assets, return on net assets and total cost per employee);
- market management performance indicators (such as customer satisfaction and customer complaints);
- service delivery performance indicators (such as productivity and community service obligations); and
- human resource management performance indicators (such as industrial disputation, occupational health and safety, access and equity, and equal employment opportunity).

Central Agency Control Framework

The external control framework has to be negotiated. The appropriate roles of a variety of central agency has to be determined. Specifically, the roles of:

- the Department of Finance, with respect to financial reporting and accounting practices and to staff classification management and standards;
- the Department of Industrial Relations, with respect to staff classification structures, pay and conditions, and industrial relations;
• the Department of Employment, Education and Training, with respect to base-grade recruitment; and

• Public Service Commission, with respect to Senior Executive Service (SES) recruitment and selection.

These business frameworks define the setting within which the structural, cultural and practice-procedural dimensions of the quasi-business formulation process are determined.

**Structural Dimensions**

The effective commercialisation of a previously budget-funded service demands a review and perhaps a re-casting of the commercialising agency’s structure, its “management-prescribed roles” (Kahn, 1974: 496), to ensure that it is aligned with the agency’s commercialisation goals, so that the “strategies of control” (Child, 1972) in place facilitate the conduct of commercial (or quasi-commercial) activities. This does not imply that hierarchy is the appropriate design prescription (Rothschild-Whitt, 1979) in the context of either organisational complexity (Kouzmin, 1980b) or efficiency improvement (Marglin, 1971). The nature of any structural changes made, particularly the desirability of creating an administrative unit to conduct the commercial activity, depends on the extent to which the commercialising agency is commercialising activities that have primarily commercial goals and whether it is doing so in the face of actual (or potential) competitive pressures. An agency commercialising in monopoly market environment activities that have primarily non-commercial goals confronts the challenge of designing a structure that while acknowledging the primacy of the non-commercial goals,
particularly in terms of service design, facilitates the marketing and distribution of that service to fee-paying customers. In contrast, an agency commercialising in a contestable or competitive market environment activities that have primarily commercial goals confront the need to design a structure that facilitates the adoption of a spectrum of commercially-oriented practices (including marketing, and financial management practices) and the building of a commercial enterprise culture (Mascarenhas, 1993), without detriment to any remaining non-commercial activities of the agency. Such an agency needs to undergo a restructuring that is not symbolic (Edelman, 1964); that is not part of the Downsonian 'rigidity cycle', and thus a response to perceived loss of senior management authority (Downs, 1967: 165-6); or that is not a means of enhancing control by senior management (Simon et al., 1950). Rather, restructuring needs to be seen as a means of de-stabilising protected elites and threatening institutional values that are inimical to commercial success (Selznick, 1957). Depending on market features and conditions, this may well create a need to establish one or more commercial unit within the agency that have an organisational structure which is:

- vertically flatter, so that service delivery (especially problem-solving) decisions can be made at points that are closer to the client, so as to reduce market-sensitive decision response times, to simplify co-ordination and to reduce communication distortions; and

- less formalised, to give staff more discretion in satisfying idiosyncratic customer needs; and

- horizontally more complex, even one with a significant degree of spatial differentiation, as service providers find a
competitive advantage in being geographically closer to their clients;

The inherent problem is that these differentiated structures may become segmented into tightly closed systems serving self-serving vested interests (Jones, 1991). Shareef (1994: 490) argues that sub-system congruence, including value congruence, within an organisation is an essential ingredient of successful organisational transformation (but see also McSwain & White, 1993; Romanelli & Tushman, 1994).

**Cultural Dimensions**

Organisational culture, at an operational level, comprises three inter-related dimensions (Marcoulides & Heck, 1993):

- a socio-cultural system of the perceived functioning of an organisation's strategies and practices;
- an organisational value system; and
- the collective beliefs of individuals working within the organisation.

Any changing of an organisation's ideals, norms and values that is required for the inculcation of a new organisational culture, one with its own symbols, rituals and myths, gives rise to a potential culture conflict in terms of Schein's (1985) culture dimensions of;

- basic assumptions (those learnt responses that are unconsciously held and that determine group perceptions
and feelings and may even generate less than satisfactory "crisis agreements" (Taras, 1991));

- values and beliefs (the essential constituents of an individual's conceptual apparatus); and

- visible artefacts (such as dress codes and office layout (Domahidy & Gilsinan, 1992)).

The existence of a culture conflict reflects the existence of resistance to change by those who, when their past is threatened, are frightened of loosing whatever it was they valued in the old culture, perhaps even their own sense of self-esteem. Culture conflict must be managed (Brown, 1992) by those who are sensitive to the symbolic dimensions of their management roles (Gunner, 1990) and who are capable of promoting, protecting and propagating the new culture-forming values (Sutton & Nelson, 1990). Culture conflict must be broken down by reason rather than by coercion (Karp, 1988), which requires that the resistance be:

- brought to the surface (Lundberg, 1990b);

- honoured by being acknowledged;

- explored and probed, to distinguish the authentic resistance (directed towards specific demands) from the pseudo-resistance (a product of feelings (such as resentment of authority and old grudges) rather than specific demands); and

- negotiated until it reaches a level that is no longer dysfunctional.
Soberingly, Anthony (1990) has observed that management-imposed organisational belief systems, values and meanings have rarely been transmitted, successfully, to those whose behaviour are targeted for change, which has the effect of organisationally isolating managers, who become locked into a commitment to values that are not shared and who become cocooned within the safety of their contrived organisational world view.

To achieve its goals, commercialisation requires the inculcation of a commercially-oriented organisational culture that:

- supports commercially-oriented values and attitudes, but not so as to select out diversity (Sinclair, 1989; Horwitz, 1990) by permitting different opinions;

- encourages and supports behaviours that are market-driven, or even market-centred;

- emphasises quality service, adaptability, creativity, initiative, cohesion and team work;

- gives employees leeway to make mistakes, but requires that they learn from them;

- recognises the diversity of commitments and affiliations that public servants have (Philips et al., 1994), including those:
  - to their clients and customers;
  - to their sense of what constitutes:
    - the "public interest" (Barth, 1992); and
    - appropriate professional standards; and
• to their employer's political, bureaucratic, organisational, managerial and financial imperatives (Sinclair, 1989 & 1991); and

• acknowledges that individual behaviours will differ according to:
  
  • individual beliefs about public service;

  • individual perceptions of risk preferences and preferred time horizons;

  • individual attitudes to change (whether it is perceived as an opportunity or as a threat); and

  • individual tolerances of ambiguity and indeterminacy.

In this setting communications can become more open and informal. Control can be achieved through building commitment to common values and common vision. Management support can focus on leadership that is honest, competent, forward-looking, inspiring and, ultimately, credible. Individuals can be empowered to perform their roles more successfully, by being freed from the inhibitions caused by the stress associated change, uncertainty and insecurity (May & Kruger, 1988). Rewards can be based on individual and group behaviour. Entrepreneurial behaviour can be encouraged, provided it is goal-oriented, by encouraging more experimentation, by permitting more risk-taking, by tolerating more mistakes and failures, and by discouraging rigid territorial boundaries.

How to achieve the required culture change is a challenge confronting all commercialising agencies. DAS, as an agency that is commercialising most its core activities, adopted a “cultural revolution” strategy (Gangliardi,
1986) in the late 1980s, designed to develop an organisational socialisation (learning) process (Ostroff & Kozlowski, 1992) that would induct all its employees into the desired commercial culture, with the intent of making it dominant (Richards, 1991b). In implementing this cultural revolution, an agency has to ensure that its commercial goals are clearly articulated, so that staff focus is centred on those positive dimensions of commercial reform that are compatible with the existing culture (such as improving client services and creating new career opportunities) rather than the negative dimensions (such as cost cutting and the spectre of staff redundancies), so as to avoid a debilitating culture clash, although in DAS’s experience a “... culture clash of existing [DAS] staff perceptions and the new environment of commercial activities can both motivate and disorientate staff” (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 279).

The Attorney General’s Department, as an agency commercialising some but not all of its important core activities, has to accommodate the possibility that by the inculcation a commercial sub-culture, one that by reflecting the common problems, situations and experiences faced by a significant number of employees operating in a market or quasi-market environment, may only give lip service to core values of the once-dominant culture. This may produce commercially dysfunctional culture conflicts (Gregory, 1983), an even a more destructive sub-culture warfare or perhaps sub-culture elitism, under which the agency’s commercial activities becomes exclusive clubs, with restricted entry and with values that are perceived to be more important that those of the agency.

Agencies commercialising only incidental services, especially those with a commercially dysfunctional dominant culture, such as the Department of Defence in relation to the Defence Science and Technology
Organisation, face the additional conundrum of how to create a sub-culture that is conducive to commercialisation and yet able to co-exist with a dominant culture that may perceive it as a threatening heresy.

**Practice and Procedural Dimensions**

In the context of the envisaged business framework, commercialising APS agencies confront the dilemma of how to develop and implement practices and procedures that will make them more business oriented, the essence of which is market-driven strategic planning, implementation and control, within constraints imposed by APS-wide procedures, practices and guidelines, which are intended to achieving different planning, implementation and control outcomes.

**Strategic, Corporate and Business Planning**

Strategic planning processes in a commercialising APS agency context must build upon a commercial mission determined with the responsible Minister and draw upon a shared organisational vision to generate a set of accepted commercial objectives, which must have a specified time-frame and be mutually consistent, attainable and measurable, from which must flow a concomitant set of agreed corporate, business and operational plans. Together, these map out what the agency hopes to achieve by fulfilling its commercial mission and how it intends to go about doing so. The planning process also requires the establishing of subsidiary functional objectives with respect to:
• financial returns, in the light the negotiated financial framework;

• productivity growth, in the context of any resources agreement with the Department of Finance and any workplace bargaining positions held by the agency;

• human resources, in the light of prevailing APS-wide and agency human resource management practices and procedures;

• customer service, in terms of benchmarked standards for information dispensing and communication, client responsiveness, problem resolution, timeliness, reliability, consistency of service delivery, staff competence, accuracy and courteousness;

• market performance, market research and product development, within the constraints imposed by the prevailing government (ministerial) policies on either APS common government services market deregulation (the untying of clients) or on accessing non-APS markets;

• physical resources, in terms of fixed asset retention, fixed asset disposal, fixed asset maintenance and depreciation; and

• community service obligations, within the arrangements specified by the responsible Minister.

The corporate plan constitutes the commercial activity's corporate grand design. It determine how corporate objectives are going to be
achieved by the commercial activities within their prevailing and future market environment and subject to ministerial guidance and constraints. It reflects how the commercial activity intends to change (by means of future product substitution or diversification, market expansion or contraction, or market and/or product specialisation) and how such changes are to be resourced, implemented and evaluated. It identifies the perceived risks that are likely to be confronted and elaborates on how they might best be managed.

The business plan flows from the corporate plan and focuses on how a commercial activity is going to address the current and future opportunities and threats generated by actual competitive pressures (if the commercial activity is conducted in a deregulated monopoly market), or by the threat of competition (if the commercial activity is conducted in a contestable market). It may include strategies with respect to current and/or future:

- market share maintenance;
- market segment specialisation;
- product development;
- product differentiation;
- product addition;
- product deletion;
- product promotion;
- pricing;
- service delivery mechanisms;
• service quality standards;
• quality costs; and
• quality assurance.

Implementation Strategies

Operational strategies support chosen strategic, corporate and business strategies and relate to the functional areas of the commercial activity, notably service delivery, financial management, human resource management and marketing.

Service Delivery. A set of customer-driven service delivery practices and procedures are needed in order to increase customer influence, even control, over both the quantity and quality of services to be provided. Traditionally, service decisions within the APS are the responsibility of service delivery professionals, who are often organisationally well entrenched because their attitudes and behaviours are in conformity with well-established organisational cultural norms. Their articulation of what are acceptable service standards have long been the benchmarks applied to the provision of such services. There has been, traditionally, an under-valuing of the need perceptions of service recipients, arguably because they lack sufficient knowledge of the statutory and/or regulatory context within those services are delivered, or because they lack sufficient capacity to make judgments on their service needs or what constitutes acceptable service standards. This premise, however, cannot remain unchallenged in a deregulated (or even contestable) market environment, especially if the
needs articulated by fee-paying service recipients come into conflict with the acceptable professional service standards. Effective commercialisation requires the inculcation of a continuous improvement process achieved by the use of strategies that build (Bush & Dooley, 1992):

- recognition that continuous improvement is an organisational and financial imperative;
- cognitive acceptance that continuous improvement must occur; and
- practical understanding of the processes of, and mechanisms for, continuous improvement.

This makes the creation of benchmarking procedures essential to the ultimate success of a commercial activity.

Benchmarking is a process by which an organisation measures and compares its performance with that of other organisations through a process of finding "best practice" examples of a product, service or operational systems and then adjusting its product design, service delivery or the operating systems to meet or exceed that standard (Connolly, 1993). There are a variety of forms of benchmarking:

- internal benchmarking, which involves seeking out "best practices" within an organisation;
- functional benchmarking, which involves finding "best practices" for a particular function regardless of organisational compatibility; and
- competitive benchmarking, which involves identifying the "best practices" of a competitive or comparable organisation.
The benchmarking process involves:

- identifying what is to be benchmarked (product, service or operating system);
- identifying comparative organisations (in the same or different sector or industry, or in the same or different country);
- determining data collection method and collecting data (using both objective or subjective data collection methodologies);
- determining current performance levels (to identify performance gaps);
- projecting future performance levels (to formulate new performance goals);
- communicating benchmark findings and gaining acceptance (involving both management and employees);
- establishing functional goals (with quantifiable objectives);
- developing action plans (involving those affected);
- implementing plans and monitoring progress (to identify impediments to goal achievement); and
- recalibrating benchmarks (updating "best practices" and setting new goals).

Benchmarking is the foundation of total quality management (TQM), which is designed to meet organisational need for improvement (increased
performance and/or decreased cost), functioning, as Urban et al. (1987: 63) have noted, as "a kind of conceptual map that provides the means for interfunctional planning and communications" both within and between organisations, and based on the time-honoured concepts of organisational learning, design, action and feedback (Argyris, 1980, 1990 & 1991; Argyris & Schon, 1978; Benveniste, 1987; Burt, 1982; Deming, 1986; Mackenzie, 1986; Schon, 1983 & 1987). The implementation of TQM is not without its problems in the public sector because of its service (rather than commodity) orientation, its plurality of clientele (rather than well-defined consumer groups), and its differentiated cultures (rather than one that can become preoccupied with quality) (Carr, 1995; Durant & Wilson, 1993; Harrison, & Stupak, 1993; Radin & Coffee, 1993; Rago, 1994; Stupak, 1993a & 1993b; Swiss, 1992; Wilson & Durant, 1993).

**Financial Management.** Reliable and accurate financial information systems, with attendant budgeting, internal controls and accounting practices and procedures, is necessary not only for the effective management of APS commercial activities (Herborn & Kelaher, 1991) but also to satisfy public accountability requirements. To minimise the risks of fraud and mismanagement, it is necessary to ensure that there is a proper protection of assets, that all revenues are collected and recorded, and that all expenditures are authorised and recorded (Australia, ANAO, 1992e: 16; Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 284).

Budgeting practices and procedures are needed to translate commercial policies (drawn from the corporate and business plans) into fiscal plans (or budgets), within the context defined:
• by the agency's resources agreement (if any) with the Department of Finance;

• by its budget cycle and relevant budget parameters; and

• by the plethora of compatible, if not integrated, agency plans that are required for, among other things:

  • information technology;

  • equal employment opportunity;

  • staff development;

  • industrial democracy;

  • access and equity; and

  • evaluation and internal audit.

Within an organisational context (as defined by the corporate and business plans) and a market context (as defined by long short term demand projections (sales budgets) and the concomitant long-term and short-term production plans (resource plans)), the budgeting procedures must enable the generation of:

• cash flow budgets (how much cash is expected to flow into the commercial activity and how much is expected to flow out, and any expected cash surplus or deficiency);

• revenue and expenditure budgets (estimates of future revenue, expenditure and profit or loss); and

• capital budgets (estimates of future capital items required and their sources of funding).
Cost accounting procedures are needed to ensure:

- that pricing decisions are based on accurate and reliable costings;
- that both direct and indirect costs are fully identified and apportioned appropriately; and
- that cost controls can effectively monitor budgeted expenditure, purchasing and production costs variables.

Cash, invoicing and debt management procedures are needed to ensure that adequate controls exist to satisfy probity requirements. This requires the development of cash management practices (such as the use of the Australian Government Credit Card, direct crediting and local banking facilities) to ensure that cash held is adequate but not in excess of requirements, so as to maximise the returns from cash holdings, and to minimise the risk of fraud. Invoicing procedures need to be established to ensure that accurate and timely invoices are generated. A debtors system must also be created, one that can provide timely and accurate information on accounts receivable (and their aging) so that not only can prompt billing take place but also the effectiveness of credit, credit card and debt collection policies and follow-up procedures can be monitored.

Purchasing and accounts payable procedures and policies are needed. The purchasing practices must ensure that in the setting of the devolution of purchasing responsibilities to APS agencies in 1989, subject to compliance with DAS (Australia, DAS, 1989- & 1992b; Hawke, A., 1989) and Department of Finance (Australia, DoF, 1992a) regulations, purchasing practices achieve the desired ends of:

- making efficient and effective use of public monies;
• promoting open and effective competition;
• promoting environmental responsibility; and
• maximising opportunities for Australian and New Zealand industry to compete for government business (Australia, DAS, 1992a & 1992b; Australia, DoF, 1992a: 52-3).

The accounts payable procedures and policies must ensure that debts are paid on an acceptable basis.

Asset valuing and recording procedures are needed to ensure that the assets entrusted to the organisation are safeguarded. Procedures for valuing current and non-current assets need to be established, so that opening accounting balances can be determined and that the appropriate asset management strategies can be developed with respect to, inventories, fixed asset retention, fixed asset disposal, fixed asset maintenance and depreciation.

Risk management procedures are needed to facilitate the conduct of periodic risk audits and concomitant regular risk monitoring. This allows the identification, quantification and evaluation of the actual and potential risks and their associated losses confronting the commercial activity, in order to facilitate the development of appropriate policies with respect to risk elimination, risk control and risk financing.

**Human Resource Management.** The Auditor-General has identified two strategically important human resource management issues confronting commercial activities in their infancy: the employment of commercially experienced staff and the preparation of staff for the required organisational
culture shift (Australia, ANAO, 1992e: 5). Central to the success of commercialisation is the development of a set human resource management practices and procedures that enable effective management of APS commercial activities. This requires knowing:

- what positions must be filled at the appropriate time, by the appropriate number and types of individuals;

- who, amongst the existing staff and possible new recruits, has the required skills, knowledge, attitudes and motivation to contribute continuously and significantly to the achievement of corporate goals; and

- who are willing and able to embrace a changing organisational culture, despite ever changing external and internal environments, because they
  - have access to the appropriate human resource development;
  - receive the appropriate remuneration;
  - have the appropriate career development opportunities; and
  - have the appropriate working environment.

Human resource planning practices and procedures are needed to forecast the short-term and long-term human resource needs of the commercial activities, in the context of its corporate strategies, and the steps necessary to meet those needs (see, for example, Saliba, 1993). Job analysis procedures are needed to define the purpose of each specific job, its major
activities and the conditions under which it is performed. These practices and procedures would have to

- comply with APS guidelines for:
  - occupational health and safety;
  - access and equity; and
  - equal employment opportunity;

- be cognisant of:
  - Department of Finances requirements on classification management and standards; and
  - Department of Industrial Relations' requirements in relation to classification structures, especially the constraints on the employment of fixed-term contract and part-time or casual staff; and

- involve job redesign practices and processes covering both the utilisation of relevant technology and appropriate work reorganisation, with an attendant commitment to multi-skilling, based on identified core competencies, with the appropriate competency standards developed by the Public Service Commission, but tailoring by agencies to fit their own specific requirements.

Recruitment, selection and promotion practices and procedures are necessary. They would have to be very sensitive to the anti-discrimination and merit protection procedures and practices, which have strengthened the principle of merit recruitment and promotion, and enshrined the
values of anti-discrimination, equal employment opportunity, privacy, industrial democracy and natural justice in the workplace. Any distinctive base-grade recruitment needs would need to be negotiated with the Department of Employment, Education and Training. Promotion procedures would have operate within the simplified and streamlined responsibilities already devolved to agencies with respect to promotions, promotion appeals and higher duties.

Performance appraisal procedures are needed, so as to:

- improve or sustain job performance;
- identify promotion potential;
- identify human resource development needs;
- identify candidates for retrenchment;
- facilitate human resource planning; and/or
- reward meritorious performance.

These procedures would need to be designed not to encourage zero-sum competition, not to destroy morale and not to inhibit motivation, and would have to operate in the context of

- the agency's:
  - productivity bargaining framework, developed within a decentralised, agency-based approach to workplace bargaining (Weller et al., 1992: 27-8); and
• career development and planning reviews procedures, involving the use individual development plans as mechanisms for improving workplace practices; and

• the constraints imposed by the Department of Industrial Relations on the payment of performance bonuses.

At the Senior Officer levels the performance appraisal procedures would have to accommodate the negotiation of individual Performance Agreements that facilitate skills-oriented, as distinct from outcome-oriented, performance assessment.

Practices and procedures are needed to deal effectively with staff who evidence poor performance. These would need to be based on existing APS procedures and grievance mechanisms, which are lengthy, complex and legalistic.

Redundancy procedures are needed to facilitate any organisational down-sizing required so as to ensure that human resources match corporate strategies, so as to achieve commercial goals. These would have to acknowledge the existing separation strategies available within the APS, including:

• voluntary redundancy, which is difficult to target;

• invalidity, the criteria for which have been tightened in recent years;

• spills of positions in the process of an organisational re-design; and

• transfers to other positions.
A related issue, of course, is that the management of excess staff (or redundancy) would have to be done in a way that preserves the dignity and rights of the affected staff, without de-skilling the organisation and without creating undue organisational disruption or loss of morale.

Performance pay procedures are needed to ensure that rewards match corporate strategies, and so motivate staff to achieve the corporate commercial mission without jeopardising team work, undermining morale or generating resentment. These procedures would have to be restricted to covering Senior Officers (providing for skills-based performance pay) and SES staff (providing for outcome-based performance pay) and would have to operate in the context of the 1992 S134C Framework Agreement, whereby agencies negotiate a two-year workplace agreement involving centrally-negotiated core salaries and further increases in pay and variations to employment conditions on the basis of negotiated agency productivity gains.

Human resource development practices and procedures are needed to improve current and future work performance. These would need to embrace training needs analysis (Moore & Dutton, 1978) as well as the delivery and evaluation of training, which would have to be in conformity with the APS’s commitment to human resource development, whereby the organised learning experiences (education, training and development) are focused on the core competencies that lead to performance success, or, alternatively, on the critical performance dimensions (Austin et al., 1986; McCelland, 1961, 1975 & 1976):

- skills: what individuals must be able to do to function in a job, (their competencies);
• knowledge: usable techniques, concepts, paradigms and facts they must have to function in a job (their competencies);

• attitudes and values: how they perceive their identity (self-image) and what work they value and enjoy (their occupational preferences); and

• personal characteristics or attributes: how they typically behave (their traits) and what determines their behaviour (their motivation).

Market Management. Because APS commercial activities operate within a market or quasi-market setting practices and procedures are needed that would facilitate the management of market performance. This requires the capacity to undertake the strategic scanning of the market environment, to ensure that the services provided are relevant to clients needs, and to identify, in a timely way, any potential threats and future opportunities emerging in the market and bureaucratic environment. This means instituting systems to gather market data that allows the monitoring of marketing performance against predetermined performance standards or benchmarks with respect to:

• marketing strategies (conceptualised in terms of product sales, product market shares, customer satisfaction by product); and

• marketing tactics (such as specific product, pricing, promotional and/or service distribution tactics).
Above all it means doing whatever is necessary to make past service recipients satisfied customers, by changing, if necessary, their adverse judgments about the service they receive, which is inevitably based on past experience or hearsay evidence, collected at a time when satisfying rules was more important than meeting needs, or on the expectations, realistic or otherwise, of what alternative suppliers can provide. It also means instituting systems to gather market intelligence that allows the timely identification of possible, probable or likely threats and opportunities in the market environment that could impinge on future market or marketing performance, such as changing customer felt-needs, changing customer expectations, emerging new market segments, emerging new product developments, changing regulatory regimes, and especially, the changing behaviour of real or potential competitors, which may resort to aggressive market penetration practices (such as the at-cost (even below-cost) pricing of selected services as "loss leaders" to attract customers and thus build market share).

**Strategic Monitoring and Control.** Strategic control requires as a prerequisite the design of a set of performance indices, which reflect significant organisational characteristics and demonstrate organisational performance, and the creation of an information system, which collects, stores and appropriately transmits that performance information in specific forms and with a specific frequency. This data base must include:

- financial management performance indicators (such as net operating profit, gross sales, sales per employee, net profit as a percentage of sales, return on net assets, and total cost per employee);
• market management performance indicators (such as product sales, market share, cost of sales, customer satisfaction and customer complaints);

• service delivery performance indicators (such as productivity, service quality, product developments and community service obligations); and

• human resource management performance indicators (such as staff turnover, job satisfaction, absenteeism, industrial disputation, occupational health and safety, access and equity, and equal employment opportunity).

This data base facilitates the monitoring of not only the outcome of the corporate, business and operational strategies adopted, but also the effectiveness of their implementation. A controlling process needs to be integrated with this monitoring system, which establishes acceptable performance standards, so as to allow the identification of any strategic shortfalls against expected performance outcomes, and which seeks to improve organisational performance, by inducing corrective actions from those who are planning, resourcing, organising and directing activities within the organisation.

Commercialisation: The Organisational Development Process

Commercialisation pressures have created a need for a unique set of organisational changes within commercialising APS agencies that would bring them into a more congruent “strategic fit”. This means aligning their strategies, culture and leadership style to their competitive situation (Chorn, 1991). Within the APS this requires the commercialising agency to:
• become more entrepreneurial, whilst maintaining its organisational integrity and protecting its extant professional and technical standards; and

• "manage by anticipation" (Chartier, 1985: 177) the organisational and behavioural changes needed to achieve the desired level of commercial performance given the permitted degree of market or quasi-market orientation.


Because commercialisation is the product of either government deciding to deregulate gradually a monopoly market for a common government service, or because management has decided to commercialised a budget-funded service, commercialising agencies have the time and opportunity to embark on effective incremental organisational change process to create what Gilmore and Barnett (1992: 535) metaphorically describe as "social architecture", the "scaffolding that can support the necessary thinking that could result in structural change", which requires the adoption of intervention strategies that:
allow staff to continue to undertake, as competently as possible, organisationally-essential tasks, and so reduce any perceived risk;

- neither promote resistance nor destroys incentives (Prasser, 1990: 194); and

- facilitate "... a cultural change in the form of a new concept of management and new patterns of accountability" (Metcalf & Richards, 1987a: 213).

To achieve the desired changes a commercialising agency needs to embark on a multi-faceted organisational development process involving:

- the articulation of an organisational change goal statement embracing increased organisational effectiveness at the micro-level (such as, better quality services, greater value for money and lower costs) and enhanced organisational choice;

- the specification of the likely impact (both directional and degree) of the changes on the organisation;

- the development of an implementation plan for the proposed organisational change, one that is based on a widely-shared diagnosis of the likely reactions of those responsible for implementing the changes, or of those affected by the changes (including those located in the Downssian "hinterland", "interior fringe", "no man's land" and "periphery" (Downs, 1967);
• the implementation of organisational change strategies and tactics, involving an entire organisation or a coherent part thereof; and

• the monitoring of the impact and the success of the implemented organisational change strategies and tactics, so as to determine whether and when adjustments to them are needed.

The desired organisational changes are achieved by the use of judiciously chosen intervention strategies designed to change the organisation's structure, processes and culture (Blake & Mouton, 1976; Bowers et al., 1975; Dyer, 1981; Rotter & Schlesinger, 1979). Soberingly, McKendall (1993) warns that these organisational development strategies, irrespective of their goals and the intentions of management, create uncertainty, interferes with the informal organisation, reinforce the position of management, entrench management purposes, thereby inducing compliance and conformity and so increasing the power of management (also Critchley, 1993).

The commercialisation process can be conceptualised (see figure 5.1) as a set of structural, procedural and cultural changes that define a set of new tasks to be performed, which, in turn, generates a set of training and development needs for those who are expected to perform those new tasks. The process involved focuses on building the relevant knowledge and skills and on developing commitment to commercialisation in those who have to change their behaviours.

A person's behaviour change can be predicted from their attitude towards that change (Ajzen & Fishbein, 1980). Under Vroon's expectancy theory (Vroon, 1964), an individual assesses possible behaviours and chooses that
Figure 5.1:
A proactive Human Resources Model of Commercialisation

Articulation of:
- Existing Culture
- Desired Culture
- Required Procedural Changes
- Required Structural Changes

Identification of:
- Personal Change Barriers
- Organisational Change Barriers

Development of:
- Personal Change Strategies
- Organisational Change Strategies

Training & Development Needs of:
- Commercialisation Awareness Training
- Personal Development Training
- Procedural Training
- Skill-Gap Training

Training & Development Strategies adopted:
- Commitment to Commercialisation Promoted
- Realignment of Personal Goals
- Procedural Changes
- Skill-Gap Closed

Effective reforms Implementation:
- No Performance Blemishes
- No Output Shortfalls
- No Cost Overruns

Successfully Implemented Commercialisation with minimum disruption

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behaviour which is most attractive in terms of outcomes (Mitchell, 1974). Individuals who believe that a particular behaviour (or task) will lead mostly to positive outcomes for them will hold a favourable attitude towards that behaviour. On the other hand, if they cannot anticipate that that behaviour will lead to positive outcomes for them, or even worse, if they anticipate that it will lead to negative outcomes, such as incongruence with established individual or group norms, job insecurity, loss of self-esteem, self-confidence, reward, control, power, competence or relationships, then their attitudes to it will be negative and resistance to change may emerge (Beer, 1980; Calish & Gamache, 1981; Connor & Patterson, 1982; Hultman, 1979; Karp, 1984; Mann & Neff, 1961; Zander, 1961; but see also Nord & Jermier, 1994).

Thus imposing behaviours (ways of doing tasks) on individuals by edict will not, ipso facto, generate a positive attitude towards them, which means that they may perform the new tasks in a perfunctory way until the external constraints are removed, which then allows them to revert to old behaviours that are consistent with their attitudes. The implication of this is that achieving lasting behaviour change requires those whose behaviours are expected to change to be able to:

- perceive the internal or external pressure on the organisation to adopt the required changes in the medium-to-long-term (Greiner, 1969);

- perceive support for those changes from those at the highest echelons of the organisation (Blake & Mouton, 1964; Dalton et al., 1970), who have demonstrated a willingness to commit the necessary resources to achieve change;
• perceive a congruence between the new behaviours and the organisation's shared values, beliefs and norms that determine what is what is expected and what is rewarded in the organisation (Margulies & Raia, 1978);

• be involved in the organisational change process (Beer & Davis, 1976; Coch & French, 1948; but see Shareef, 1994: 511);

• see that other members of their organisational unit, constituting a critical mass or dominant coalition, are adopting the new behaviours (Beer, 1980; Beckhard & Harris, 1977; Goodman et al., 1980; Margulies & Raia, 1978), so evidencing that the new behaviours are becoming congruent with group beliefs and values (Feldman, 1983; Feldman & Arnold, 1984; Kiesler & Kiesler, 1971);

• share the belief with other group members that positive or negative sanctions will follow performance or non-performance of the new behaviours (Katz & Kahn, 1978), including sanctions derived from the level of cohesiveness, the existence of formal authority structures and the reward systems within the group (Beer, 1980);

• receive continued feedback and information regarding the behaviour changes (Beckhard & Harris, 1977); and

• perceive that both the formal practices and systems and the organisational culture are consistent with, and supportive of, the changes (Huse, 1975; Shih, 1993a & 1993b; Zimbardo et al., 1990).
Managing a change process requires leadership that not only has the desire to initiate change but also the authority to do so (Lloyd, 1993). It also requires leaders who behave as Bellavista's (1989-90) "heros" (being dissatisfied with the status quo are willing to challenge it, then plan and execute change, after winning allies and vanquishing enemies) and who have the ability to to create Gilbert and Kleiner's (1993) "change lovers" (other individuals who have a commitment to change, who are willing to take control of the change process, who accept change as a challenge, and who are able to connect the diverse elements of the change process). This style of leadership is crucially important to the success of commercialisation, for it is a means of coping with the almost inevitable barriers to change, namely the lack of belief by some in the appropriateness of change and the resistance by others to that change, perhaps in fear of their own possible failure (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 68). Commercialisation thus requires leadership that is capable of:

- redefining organisational primary purpose and core beliefs (Covey & Gulledge, 1992);
- recreating a vision (Buhler, 1993) of how the post-commercialisation future will look in terms of organisational structure, culture and performance standard;
- redefining the required strategic objectives within a medium-to-long-term perspective;
- planning and resourcing adequately the necessary structural and procedural changes; and
• empowering those expected to assume group leadership positions.

Prerequisites for Effective Commercialisation

Address Staff Concerns. Effective commercialisation requires the addressing of two dominant morale-debilitating staff concerns: fear of redundancy and fear of personal change. The spectre of staff redundancy is closely allied in many people's minds to the organisational search for ever more efficiency, and even more effectiveness, and generates an increased sense of job insecurity, most particularly in agencies commercialising core services in a contestable or competitive market environment, where the spectre of privatisation further compounds the fear of job loss. The other concern is, as DAS has noted, that commercialisation

... placed difficult demands on staff in coming to grips with the operational and attitudinal changes necessary to operate in a commercial environment. ... The reality is that for many people a career in the traditional public service does not involve competitive selling and meeting bottom line performance targets (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 10).

Win Commitment to the Values of Commercialisation. Effective commercialisation requires winning of staff and management commitment to commercial values, which must be articulated in a way that makes them compatible with the traditional APS value of public service as an integral part of the process of governance. These commercial
values must build upon the essential core values of service quality, professionalism and integrity (Sedgwick, 1993a, 1993b & 1993c), which is especially important where budget-funded professional services (such as legal services) are being commercialised. These fundamental values can support the drive for higher standards of service-delivery performance in a commercial or quasi-commercial setting, while acknowledging the importance of public accountability, the need to build both a sense of community within the organisation, and the need to maintain service standards that ensure professional integrity.

**Hasten with Care: The Practice of Pragmatic Incrementalism.** Effective commercialisation is the outcome of an incremental organisational development process that, of necessity, iteratively seeks to find a balance amongst the often-competing values and affiliations of commercialising agency’s diverse array of stakeholders, and so ensures that commercial activities become an appropriate and accepted feature of organisational life.

**Prepare Management for Commercialisation.** Effective commercialisation can be facilitated by the use of human resource development strategies designed to enhance managers’ (Dixon 1988b):

- commitment to the values of commercialisation and to making the necessary personal changes;

- desire to achieve successful organisational goal realignment to ensure that commercialisation reform is accepted and institutionalised;
ability to identify how they can best maintain, in the face of change, the agency's organisational integrity and its professional or technical standards of task performance; and

ability to make the structural and procedural changes needed and to communicate with their staff about the precise nature of the commercialisation reform proposals, their likely organisational impacts, the extent of organisational change envisaged, the personal behaviour changes required, and support that will be provided to those grappling with change.

In conclusion, effective commercialisation requires management development strategies that promote organisational learning (Kim, 1993), so as to facilitate organisational adaptability, by creating, acquiring and transferring knowledge; by modify individual member behaviour to reflect this new knowledge and the insights gained from it; by using feedback processes to provide information on what has been learned and what has been done with that learning; and by connecting issues, events and information in a way that generates holistic organisational perspectives. At the individual manager level, this means that management development strategies must enhance commitment to re-aligning personal and organisational goals and develop his or her capacity to make the necessary personal, as well as inevitable cultural, structural and procedural changes.
6. AUSTRALIAN PUBLIC SERVICE MANAGEMENT DEVELOPMENT: THE SHAPING OF MANAGEMENT BEHAVIOUR

There emerged in the late 1980s a need to facilitate the effective implementation of the managerialist reforms, all of which had contributed to the creation of a paradoxical APS management environment, by changing management attitudes and behaviour. This necessitated a new approach to public management development. The focus of this chapter is primarily on how APS management development practices have been adapted to meet the managerialist challenges.

Management Development in the APS

The traditional approach to management development in the APS reflected the scarosanctity of the long held principles that it could be administered by the application of common sense by reasonably educated people and that any management and policy-advising techniques, concepts, paradigms and information required were best learned on-the-job, with experience as the teacher, augmented by appropriate administrative training. This way of developing the required administrative capabilities survived, at least to some degree, until well into the 1980s. The presumptions that became the norm were:

- that there should be central control over personnel administration functions in the APS (Emy, 1978: 531-5; Parker, 1989a: 341; Spann et al., 1973: 360-89);
that recruits to the APS, engaged predominantly at the base-
grades, should "... as far as possible be selected by open,
competitive, written examinations" (the Boyer Committee
of Inquiry into Public Service Recruitment (1959) quoted in
Spann & Curnow, 1975: 414), which provided what Sir
Frederick Wheeler, the dominant Chairman of the Public
Service Board (PSB) in the 1960s and early 1970s, described
(1975: 426) as "a pool of management material"; and

that competitive promotion, within a largely closed and
classified career service, should be "... on the basis of
relative efficiency and experience" (the Boyer Committee of
Inquiry into Public Service Recruitment (1959), quoted in

Management breeding (Wheeler, 1975: 427) was thus de rigeur and
required, according to Wheeler (1975: 427):

... the service to recruit in appropriate numbers and at
appropriate levels of quality at the base, and then develop and
select those needed for the performance of top management
functions.

The process by which senior public servants were traditionally bred
thus embraced administrative experience and training, typically over a 20-
year period from recruitment, which given them the required set of
administrative capabilities, embracing both management and "policy
work" (Spann et al., 1973: 10), appropriate for the prevailing regulatory and
accountability regimes. The underlying premise was that (Spann et al.,
1973: 7):
... a government agency is not simply a machine programmed to carry out instructions in a set fashion. It consists of human beings with their own values, attitudes, motives, aims and traditions. ... Such differences have a chance to reflect themselves in administrative behaviour because administration is not a science reducible to exact calculation and rule. It is also an art, in which a good deal of intuitive judgment is necessary, often best learnt in practice or by becoming the apprentice of an able practitioner.

The able practitioner was characterised by the Boyer Committee of Inquiry into Public Service Recruitment (Australia, Committee of Inquiry into Public Service Recruitment, 1959: 30) as having:

- a cultivated mind;

- personal qualities of integrity, intelligence, judgment, leadership and co-operation;

- abilities not stultified by long occupation with routine, or with undue specialisation;

- experience in more than one branch of the Public Service; and

- experience and training in management.

Promotion to "top administration and/or management" was, according to Wheeler (1964: 293) "on the basis of administrative and managerial abilities." As the acquisition of administrative responsibilities came only with experience, senior administrators would have already acquired the necessary degree of tolerance for ambiguity; the necessary
capacity to suspend disbelief, to use the appropriate metaphors, to be selective in argument, and to conceal private interests; as well the necessary art of pragmatic imprecision. Essentially they would have been socialised into the prevailing public service executive management culture, which meant that they shared common (or at least compatible) values on management, the ideals of citizenship, and the conventions that determine how politically sensitive issues were handled (Spann et al., 1973: 68).

Perceptions about public management development began to change following the Boyer Committee's review of recruitment in the late 1950s. Whilst its recommendation for the formation of an administrative cadre (recruited by both internal promotion and lateral recruitment that was not restricted to graduates, after a written examination) was rejected by the Menzies Liberal-Coalition Government (1949-66) (Parker, 1990: 59), the Boyer Report was a gentle catalyst for change, one that gathered momentum in the face of the increasing complexity of governance in the 1960s. There was a growing acceptance of the need for senior public servants to have more specialised knowledge, perhaps even a degree (Caiden, 1965: 430; Wheeler, 1975: 428). In this climate, the "Wheeler doctrine" emerged, which put the onus on individual public servants to undertake further education (Spann et al., 1973: 487-9) and/or training (Spann et al., 1973: 489-91), as preparation for promotion and the acceptance of executive responsibilities, in whatever way suites their abilities, needs and interests. It also placed responsibility on their shoulders for any transference of the acquired learning to the workplace (Wheeler, 1980). Wheeler was, however, implacably opposed to "... any move towards a central control of management development" (Wheeler, 1975: 429) and to any formal career development planning (McMahon, 1984: 64-5), for, indeed, an approach under which "... the officer himself, is required to
display initiative in both fitting himself for the future and securing that future are much to be preferred” (Wheeler, 1975: 429). The implication of this process has been summed up by Wheeler (1975: 429):

> It can be truthfully said of our senior management group that they have arrived not by reason of their assumed virtues derived from background, education, or personality, but because they proved through their job performance that they were entitled to take the next step upward.

The traditional, passive and non-directive, almost dilettantes approach to management development, was challenged in the mid 1970s by the Coombs Royal Commission on Australian Government Administration (Australia, RCAGA, 1976: 205), which:

- demanded more efficient, effective and accountable management;

- identified “a clear need for improved [executive management] training” through the use of “on-the-job training or specialised courses and to make use of the rapidly expanding tertiary education institutions; and

- recommended that the PSB

  . . . should act as a resource bank, providing special training courses where needed, for example, instructing training staff in training skills, suggesting and propagating new techniques, assisting in evaluation studies, and in negotiating training courses with educational institutions.
By the mid 1970s, the broad contours of the managerialist-driven administrative reform agenda had been articulated by the Coombs Royal Commission. In the winds of reform were a new set of required management capabilities that could not readily be acquired by means of experiential learning on-the-job (using such techniques as observation and modelling, or solo or collaborative problem solving (Snell, 1989)). The issue to be resolved, then, was how best to proceed. The PSB had began taking up the challenge offered by the Coombs Royal Commission, by adopting a more active role, evidenced by the creation in 1977 of the Executive Development Scheme (involving residential course work, mentors and short-time work placements) and of the Interchange Program (reciprocal placements to the private sector for periods of up to several years for senior Third Division or Second Division Officers) (Australia, PSB, 1983: 156-7). Yet learning transfer to the workplace still remained the responsibility of the individual. That there was a need to adopt a more proactive approach to executive public management development was an emerging agenda item, advocated by both the Joint Public Accounts Committee and the Reid Review of Commonwealth Administration (Corbett, 1983).

The Joint Public Accounts Committee investigating the selection and development of senior public servants considered that the reign of the amateur-type public manager must come to an end and concluded accordingly; very much in a managerialist tone (Australia, Parliament, 1982: 2):

The old fashioned concept that the Public Service can be managed by the application of common sense by reasonably educated persons ignores the complexity of modern government. The skills of effective management require a good deal of
uncommon sense and uncommon knowledge. The Public Service cannot continue to evade a more realistic definition of management skills and their application.

It considered that:

- "formal management training for senior management is ad hoc and spasmodic" (Australia, Parliament, 1982: 31);
- "almost without exception, witnesses to the Committee expressed dissatisfaction with the standard of relevance and the lack of practical management content in training courses for senior public servants" (Australia, Parliament, 1982: 36); and
- "developing senior management is an essential cost of efficient government; it is not a 'frill' or extravagance" (Australia, Parliament, 1982: 30).

It advocated (Australia, Parliament, 1982: xii-xiii & 37):

- that "on-the-job development opportunities for potential Second Division officers" should be improved;
- that more effective marketing of the Interchange Program should take place;
- that systematic training of the Second Division is required in:
  - the economy and Commonwealth expenditure;
  - the employer functions of chief executives;
• leadership skills (personal efficiency and the ability to set priorities);

• general efficiency of public authorities (including industrial relations); and

• technology and modern management tools; and

• that the PSB should take action to "ensure that Departments were able to devote more resources than at present to introducing and upgrading internal management development programs."

The Reid Review of Commonwealth Administration, which was given the task by the Fraser Liberal-Coalition Government (1975-83) of finding ". . . better management structures and tools which will enable [the APS] to deliver government programs effectively to the people of Australia" (Australia, RCA, 1983: 131), urged (Australia, RCA, 1983: xxviii) the PSB to:

• take "an active role with selected tertiary institutions in fostering development of high quality management training; and

• organise "regular seminars for groups of senior managers on practical issues in staff management" (which the PSB had been doing since the commencement of the Executive Development Scheme in 1977)."

It also recommended (Australia, RCA, 1983: especially xxviii):

• that more public servants should be sponsored for residential management courses;
that "a Second Division entry course for all new entrants to that Division be introduced" covering:

- general management principles and financial, personnel and industrial relations practice;
- roles of central agencies;
- executive-legislature relations;
- administrative law and review processes;
- policy formulation processes (including Cabinet processes and inter-departmental consultation processes); and
- relationships, roles and ethics of senior officers.

The PSB responded by:

- mounting a series of training courses in ADP, equal employment opportunity, internal auditing and staff counselling (Australia, PSB, 1983: 140-1);

- developing:

  - a Senior Executive Management Program (a two-week residential course targeting all entrants to the Second Division); and

  - a Senior Executive Fellowships (to facilitate overseas visits to explore state-of-the-art developments) (Australia, PSB, 1983: 69); and
undertaking a survey of Senior Executive Service (SES) training and development needs, which concluded that there was a "high demand" for training and development within the SES, especially in relation to "people management", "personal effectiveness skills" and "management issue" (such as "corporate planning", "program evaluation" and "financial management") (Australia, PSB, 1986: 16).

Still, the responsibility for transferring learning to the workplace remained with individual learners to do as best they could.

The Hawke Labor Government, in the context of the broad contours of its ambitious administrative reform agenda, recognised, soon after taking office in 1983, that the findings of both the Joint Public Accounts Committee and the Reid Review Committee "gave clear warning of the need for greater efforts to train and develop senior executives" (Australia, Minister Assisting the Prime Minister on Public Service Matters, 1983: 17). Specifically, it was proposed (Australia, Minister Assisting the Prime Minister on Public Service Matters, 1983: 18) that new entrants to the proposed SES be given a special training course embracing the following curriculum:

- the economy and Commonwealth expenditure;
- efficiency in public administration;
- the management and advisory roles of a senior executive;
- industrial relations and participative management;
- equal employment opportunity; and
management techniques and leadership skills.

Also envisaged was a policy of encouraging SES officers to undertake higher education and residential management courses (Australia, Minister Assisting the Prime Minister on Public Service Matters, 1983: 18). Despite the plethora of reports and proposals, public management development remained sporadic, and focused mainly on experiential learning (job rotation, behaviour modelling and coaching) and on ad hoc training seminars and workshops. And responsibility for the transfer of any learning to the workplace was still considered to be the responsibility of the individual.

Most of the 1980s was spent determining what would be the best approach to public sector management development. What the appropriate qualifications, capabilities and attributes were required by public servants for ascension to management positions had to be specified (Chapman, 1987: 369; Hughes, 1986: 109). What constituted the most appropriate linkages between “task”, “training” and “education” had to be determined (McCallum, 1984). The need was to develop a strategy that could address, effectively, the challenges of preparing public servants for the tasks of middle- and executive-level management in what can only be described as a paradoxical management environment.

Learning to Manage Effectively in a Paradoxical Management Environment

Paradoxes, dilemmas, and anomalies are an inevitability in the public sector. Public managers, whose learning processes Mayer (1992) once compared with those of basketball players, confront a variety of Ashford's
(1992) "organizational catch-22s": "self-justifying circles of logic" (namely, "impossible requirements", "circular requirements", "vicious circles" and "circular reasoning"); dilemmas (choosing between "unsatisfactory alternatives"); and anomalies ("vexing incongruities"). These create a situation that Smith and Berg (1987: 1,198) describe as "an endless hall of mirrors". In such an environment both the usefulness of objectivity as a basis for establishing reality and the assumed superiority of the rational approaches to problem analysis, problem-solving and decision-making must be questioned: the a-rational (as distinct from irrational or unreasonable) sentient abilities (intuition) have a role to play (Cates, 1979; Ornstein, 1972), especially when the phenomena in focus (Egan, 1985: 250):

- fall outside the realms of the rational (such as emotions);
- are beyond the scope of rational analysis because of their complexity; or
- are unpredictable.

More intuitive managers have the capacity pay attention to, rather than ignore, their flashes of creative insights (Johnson & Johnson, 1975), although such insights must be subjected to rigourous evaluation in order to create a balance between the rational and the intuitive thought processes (West, 1975-76), which may be a key to them having the necessary creativity and judgment needed to manage effectively in a paradoxical management environment.

Public managers in the APS, especially those with responsibility for commercial activities, face a variety of paradoxes, created as a bi-product of the managerialist reforms, with concomitant dilemmas, anomalies,
contradictions, confusions and uncertainties, which almost inevitability lead to inadequate or inequitable treatment of some stakeholders.

Paradox 1:

That managers are expected to manage "efficiently" and "effectively", and so be accountable for the efficient and effective management of "inputs" used to produce "outputs", which may be difficult to quantify, or even conceptualise, which generate "outcomes" (which may be difficult to measure, or even conceptualise), which relate to "program objectives" (which may be difficult to articulate in a mutually compatible and quantifiable terms), which must be compatible not only with "policy objectives" (which government may be unwilling or unable to articulate in quantifiable terms, and which may, themselves, be mutually incompatible) but also with "customer objectives" (which may, also, be mutually incompatible).

Paradox 2

That while management accountability for program efficiency and effectiveness has increased, management does not have complete control over program (service delivery) design or implementation.

Paradox 3

That while results-oriented management behaviour is encouraged, over-achievement is not adequately rewarded and under-achievement is not adequately punished.
Paradox 4

That while more risk taking, in the context of better risk management, is encouraged at the rhetorical level, Ministers, Parliament and the Auditor-General are reluctant accept risk-taking behaviours that threaten administrative probity.

Paradox 5

That judicial and merit review agencies are able to reverse administrative decisions, yet managers are held accountable for performance outcomes.

Paradox 6

That managers are encouraged not to tolerate sub-optimal performances even when such performances conforms to cultural norms and any challenging of them is likely to effect personal survival within the organisation and/or to generate interpersonal conflicts.

Paradox 7

That managers are expected to increase both quality and productivity while at the same time decreasing costs.

Paradox 8

That managers are expected to meet customer or client needs as well as ensuring that services provide value for money as perceived by parliamentary and other accountability mechanisms.
Paradox 9

That managers are expected to share a significant degree of decision-making power with their subordinates while being unable to devolve accountability for the consequences of those decisions.

Little wonder that the Department of Employment, Education and Training has drawn the conclusion (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 105) that:

Some managers have found it difficult to cope with the extension of their decision-making responsibilities. Some have found difficulty with the emphasis on managerial accountability for outcomes and have been stressed by the greater requirement for decision-making and the loss of the capacity to ‘hide behind’ procedural compliance. Others have allowed themselves to be unduly distracted from their primary outcomes.

Every paradox, as “a self referential, self contradictory vicious cycle” (Smith & Berg, 1987: 1,199), needs to be accommodated:

- by being re-framed as a puzzle, a conundrum or a complexity;
- by being placed into its broader organisational or societal context, so as to diminish its apparent absurdity, contradiction or hypocrisy; or
- by addressing the emotional responses stimulated by a paradox.
Learning how to managing efficiently and effectively in such an environment requires the inculcation of philosophies and paradigms that help public managers cope with ambiguity, complexity and indeterminacy. This involves the getting of wisdom, which allows a more accurate apprehension of the true causality of organisational phenomena, and so avoiding the deceiving "naive consciousness" (which, according to Freire (1983: 281), "sees causality as an established static fact . . . [and] . . . considers itself superior to facts, in control of facts, and free to understand them as it pleases"). It must also involve a learning process that improves understanding of the relationship between knowledge, decisions and action (Denhardt, 1987; Harmon, 1989). It must encourage both management and organisational values and perspectives to be formed, reframed or laterally reconceptualised, in order to help make sense of the options available in relation to future courses of actions and the basis of their selection, which is comes under Beiner's (1983: 163) rubric of "instrumental judgment", as distinct from moral and political judgment (Anderson, 1988), both of which are particularly relevant to the policy-advisory role of the public manager.

Judgment, as an irreducible part of public management, requires a capacity to place information into an appropriate, even if a somewhat paradoxical, value framework to determine how best to blend and manage contradictory demands and pressures. Thus, axiomatically, management development must put stress on enhancing an individual's capacity to make judgments (Macadam & Bawden, 1986). Soberingly, Banfield (1960: 27) warned a long time ago that in the art of judgment there is "... no science at all, either of organization or of anything else, which will help the executive much in performing his most essential and characteristic functions." This warning notwithstanding, an effective management development process requires decision making as its primary focus, rather
than the mastery of the knowledge of management techniques (Jenkins et al., 1984). This, in turn, requires the concurrent enhancement of first, the learners' ability to analyse relevant value frameworks (Bargo, 1980; Hall, 1973; Kirschembaum, 1977); and secondly, the learners' cognitive processes, especially those that transcend formal logic to explore what Riegel's (1973) theorises to be the "dialectical operations" in adult thought, notably, the spirit of inquiry, which is achieved by encouraging the learners to ask and to discover important questions and problems (Arelin, 1975), and self-understanding, which is achieved by enabling them individually to engage in reflectivity, so as to facilitate relevant perspective transformation (Mezirow, 1978), by making them critically aware of their specific perceptions, meanings, behaviours and habits, especially in terms of their efficacy (discriminant reflectivity) and their underlying value judgments (judgmental reflectivity) (Mezirow, 1981; Neugarten, 1977).

Preparing Management for the Implementation of Administrative Reform

The administrative reforms, including commercialisation, have forced middle- and executive-level public servants to grapple with their own behavioural change requirements, especially those in commercialising agencies, who are expected to become more entrepreneurial in order to survive in their new market setting (Barrett, 1988c; also Koch, 1994). This has meant exploring how to become more performance oriented and whether, to what extent and how to apply private sector management practices. Yet, traditionally, the APS has not expected its managers to model themselves on conspicuous examples of successful private sector managers (Spann, 1976) (let alone the much-publicised unsuccessful, corporate entrepreneurs), although some would say that they might do
well to do so (Attridge, 1991; Barker, 1989). When confronted with these management behaviour imperatives, APS managers have sought support for their efforts to develop and acquire a new set of management capabilities (Richards, 1991b). APS agencies have come to recognise that in order to achieve the required management behaviour change they must create an environment that encourages responsible administrative action, which is not just a matter of following written procedures or rules. That responsible action is merely legally-correct action is far too limiting a perspective to address adequately the normative concerns of public administration. Responsible administrative action in situations where the routine application of rules is problematic presupposes an ability and a willingness to perceive decision choices in a way that they may be informed by an appreciation of rules, but not determined by them. When action is perceived as determined by rules, the sense of personal responsibility for that action evaporates and thus problem definition is forced into preconceived and often arbitrary categories of meaning (Burke, 1989; Nagel, 1991).

The willingness of public managers to accept personal responsibility for their administrative decisions and action depends, according to Diamond (1985), on the psychological dimensions of their personal experience and its influence on their ability to take responsibility for the consequences of their decisions and actions. The creation of an environment that supports the taking of responsible administrative decisions and actions has in effect been an important reform implementation priority. Middle and executive managers, especially those responsible for commercial activities, have increasingly been given more freedom to act outside the postulated organisational perspectives, where those perspectives neither adequately address the management problem
concerned, nor serve the needs of the service recipients, nor articulate adequate or legitimate standards limiting or enabling administrative discretion. They have increasingly been discouraged from engaging in reified thinking (Berger & Luckmann, 1967: 89-91), that "... unconscious tendency to apprehend aspects of the social world through particular, typically 'institutionalised', categories of meaning" (Harmon, 1980-81: 564).

How public servants should be prepared for the acceptance of management responsibility depends very much on how their management and policy-development roles are viewed within an organisational setting, which is, itself, set in a context defined by the prevailing (perhaps changing) regulatory and accountability regimes. The managerialist-driven Hawke Labor Government fundamentally challenged traditional doctrines of public administration by adopting the position that public administration is more about the efficient management and responsive implementation of policy rather than about policy development and design (Howard, J. [R.], 1986b: 271-2). It placed more importance on the the APS becoming "an efficient instrument of program implementation" (Uhr, 1987b: 375), than on getting "the most wisdom out of a small group of policy analysts and advisers" (Tang, 1984: 10). This orientation, as Uhr (1987b: 374) notes, presumes that "good government requires a responsive bureaucracy capable of efficiently translating stated government policy into achievable administrative practice" and that "responsible public administration is best served by the business-like efficiencies of entrepreneurial management." Lamentably, this orientation seeks to give a sense of clarity about the management role of the middle- and executive-level public servants that essentially does not conform to the politico-administrative realities; the public servant's management role remains both ambiguous and imprecise, the administrative reforms
notwithstanding (Pritchard 1992: 131). By placing more emphasis on public servants acquiring the capacity to manage better the financial, human and physical resources at their disposal, at the expense of acquiring an intimate knowledge of the wide variety of policy decision-making processes and policy constituencies, the risk is that they may become less able, even less willing, to understand and address the complexities of the regulatory and accountability regimes, not too mention the ethical challenges created by the juxtaposition of administrative power with ambiguity, complexity and indeterminacy (Adams, 1993; Pavlak & Pops, 1989). All of these impact upon, if not govern, the way they must manage.

The Hawke Labor Government was, from the very beginning of its term office in 1983, intent on implementing as quickly as possible a management improvement strategy embracing "programs of management training, process and review which can be carried out jointly by departments and by the central management agency" (Beale, 1985: 380). The primary central agencies involved were the PSB and the Department of Finance, which had as their focus the implementation of Financial Management Improvement Program, the Management Improvement Program and an ambitious organisational re-design agenda (Australia, PSB, 1985: 76). The PSB’s role in this context has been described by Nethercote (1986: 22) as one that "... for some years left much scope for more useful and vigorous performance." Ultimately, the PSB, seemingly unable to meet the challenges offered by the managerialist reform agenda, was abolished. This left the Department of Finance at centre stage, but it found the act of balancing its regulatory role with its advisory role most challenging (Taylor, 1987: 10; Volker, 1987: 197).

By the late 1980s, the devolution reforms had transferred responsibility for management improvement, and indeed management development,
specifically, down to individual agencies. This brought into focus whether management development should be agency-specific, and thus focus almost exclusively on internal constituencies, or whether there are service-wide agendas that should also be addressed. Any analysis of the management development within APS can no longer be based on a misleading premise that the APS is a centralised, even homogenized, structure. Rather, it must be recognised that the APS has become complex, comprising fragmented and highly differentiated set of constituent agencies, with differentiated forms of co-ordination, implementation and control mechanisms and accountability regimes. In such circumstances, organisationally-specific management development tends to accelerate and consolidate systemic segmentation, and even segmentation within specific organisations. It does so by facilitating the transference of segmenting organisational behaviours (Jones, 1991), achieved by communicating segmenting values and expectations surrounding organisationally-specific management roles, perhaps reinforced by the practicing of the rites and rituals associated with those roles (Preston, 1993). A recognition and acceptance of this increasing systemic complexity is central to a successful analysis of public management development needs. For the purpose of the identifying management development needs, any analytical typology of APS agencies would have to acknowledge that policy departments are different to service-delivery departments, and that service delivery departments, themselves, can be differentiated by the degree of commercialisation (see Appendices 4.6 and 4.7). At issue, in a fundamental sense, is the very integrity of the APS as a career service in the Westminster tradition (Curnow, 1989; Enfield, 1989a; Haines, 1989; Halligan, 1991).
A concurrent development has been a shift in the focus of management development from executive- to middle-level public servants. This re-orientation of management development towards middle management was the product of the perception that the needs associated with executive development had been "adequately met" (Hagan, 1991: 182) and the changes occurring in the industrial relations milieu. The application of the Structural Efficiency Principle in November 1987, which aimed at reducing productivity-inhibiting restrictive work and management practices, necessitated a more co-ordinated and proactive approach to management development. This occurred in the context of reforms to career path planning and to supervisory and management practices, especially for public servants in the Senior Officer Structure just below the SES, who found themselves accepting more responsibilities, under the devolution and decentralisation reforms who faced considerable competition for promotion into the SES; and who had to be placated by the provision of performance bonuses. The issue of how best to provide middle management development opportunities had to be resolved within the context of the national implementation of the Vocational Education and Training System and the Australian Vocational Certificate Training System, which regulates the provision of vocational education and training and credentialises its outcomes (Australia, DEET, 1992; Australia, ESFC-NBEET, 1992; Australia, Parliament, 1991b).

By the end of the 1980s it was broadly accepted within the APS that the correct management development path to follow, especially for middle managers, was the competency-based approach to management development, which involved, initially, identifying the critical competencies required for job performance success.
APS Management Development:
The Drive Towards Competencies and Beyond

What do middle- and executive-level public servants need to know, need to know how to do, need to be able to do and need to be like? This question has been discussed over the years (Bland, 1923); and still continues to be debated, especially in academic circles (Bryson, 1991; Chapman, 1989; Degeling & Colebatch, 1984; Hughes, 1986; Paterson, 1988; Uhr, 1987b; Yeatman, 1986). Uhr (1987a: 20) summarises:

At the centre of the debate is a dispute over the role of political judgment: those who defend its role argue against those who, allegedly, reduce the tasks of higher civil servants to fit into a managerialist model, with its emphasis on techniques of business-like management.

The battle lines are long standing, dating back to deliberations of the Coombs Royal Commission in the early-to-mid 1970s. The anti-managerialists contention is that

. . . the work of senior executives is inherently and unavoidably political and that, while sound management practices are always desirable, the highest and most characteristic task performed by senior executives is the endless political one of judgment about policy. Senior officials help formulate, refine and interpret policy, even as they faithfully implement government programs. Senior bureaucrats do manage, but they do much more than that; their ‘outputs’ are no less political and policy-related than those of politicians, as the standard public administration texts openly declare (Uhr, 1987a: 21).
The managerialists contend that management skills have been "... unduly neglected if not actually ignored" (Uhr, 1987a: 21), and they seek to redress the resultant imbalance. It would seem that for the anti-managerialists, the battle with the managerialists has probably been lost, although whether the war is also lost will depend on whether the former can temper any excesses of the latter.

Public management has long endured the image that private management enjoys stronger management knowledge and skills (Hetzner, 1989). By the late 1980s it had become almost axiomatic that there was a need within the APS for competent and confident managers with the management and leadership capabilities required to enhance their organisations' performance within the APS politico-administrative environment. At one level it was acknowledged that because APS agencies had long been delivering services, middle- and executive-level public servants generally have the technical and organising competencies needed to produce and distribute services within acceptable tolerance of a specified budget allocation. But these capabilities, alone, were no longer enough. Public managers were increasingly being expected to adapt to ever-changing external (policy or market) and internal (organisational) environments, which was especially challenging for those confronting the risks and uncertainties associated with commercialisation. Ultimately, the challenge to be addressed related to the pressures that micro-economic reform had unleashed for the creation of a new set of management competencies needed by APS agencies, whose managers must now be:

- more outcome and performance oriented, whilst maintaining, if not improving, technical standards and service quality;
• better able to put in place the organisational and behavioural changes needed to achieve the desired level of public agency performance given the permitted degree of market orientation; and

• better able to manage scarce physical, financial and/or human resources, so as to improve productivity and service quality.

In this context, the implementation challenge facing APS agencies, especially commercialising agencies, was to provide their managers with cost-effective management development.

Indeed, the efficacy of forcing APS agencies to confront quasi-commercial or competitive pressures crucially depended on the capacity of its middle- and executive-level public servants to manage efficiently and effectively the public production processes involved, so as to achieve short-term commercial objectives, while simultaneously securing long-term commercial and organisational viability within a competitive bureaucratic environment. This required them to adapt their management behaviour by integrating goal-directed, market-driven, risk-sensitive management skills with strategic policy advising, brokerage and information management skills, in the context of major and frequent structural and procedural changes. They were required to adjust to changing role paradigms, brought about by the adoption of the principles of devolution, decentralisation and performance accountability, which involved accepting more responsibility for delegated decision-making and adopting new service delivery, human resource and financial management practices. They were, in essence, expected to confront a changing management orientation, one that was shifting from away from the more traditional
public administration (the input-controlled development and implementation of policy, both at the macro (social) and micro (organisational) levels towards public management (the output-oriented management of resources and control of service production processes) (Gunn, 1988; Heyman 1987; Metcalf & Richards, 1987a). This paradigm shift has resulted in middle- and executive-level public servants being required to gain new management capabilities in resource planning and program management, leadership and people management, not to mention marketing, service delivery and quality assurance. Both middle- and executive-level APS managers have, however, gained an incentive to develop these new skills and competencies through the payment of lump-sum bonuses to reward competency acquisition or performance.

Management development programs targeting practicing middle- and executive-level public servants are now judged by APS agencies according to the extent to which the learning acquired improves articulated management competencies and capabilities, as distinct from personal management, organisational or policy management performance. This reflects a number of attitudinal changes that occurred during the 1980s. The first attitudinal change emerged at the political level and involved a relative shift in emphasis in the role of middle-level and, more particularly, the executive-level public servants away from policy development, design and management towards program and service-delivery management, with the concomitant shift in emphasis from developing their policy process and policy analysis capacities towards developing their management competencies and capabilities. This shift in orientation has brought into focus the need to critically assess the managerialist belief that there is a body of sound management practices applicable to the private sector that is generic in its scope and thus can be
directly transferable to the public sector (Bryson, 1991), subject to some cultural limits. This belief, espoused by no less a personage than Peter F. Drucker (Gazell, 1994), is, as Hughes (1986: 109) so aptly asserts, illusory, because of political control, or at least influence, over resources and management processes. This applies even to the commercialising agencies, especially those commercialising core activities in competitive or contestable markets, where the transferability of management practices might seem to be less problematic.

If managing is the art of doing, then public and private sector managers practice their arts differently (Lynne, 1984; Mathiasen, 1984; Pritchard, 1992: 131), largely because of their different external environments, especially their different regulatory and accountability regimes (Rainey, 1989). As Parker and Subramaniam have observed (1975: 39):

Examining private and public organisations internally, we may be impressed as the management theorist were, by their structural resemblances: hierarchies of values and goals; horizontal division of labour; "vertical specialisation" into hierarchies of authority; indoctrination of staff with organisational goals and rules; systems of coordination and communication; and so on. Looking from inside a private organisation outwards, . . . we may be struck by its own autonomy, subject to purely monetary balancing of input and output, and by its contrast with the confusing mass of governmental organisations, their apparent lack of 'cost-consciousness' and their power to interfere with private organisations. Looking from inside a government organisation . . . we may be aware of its orderly ties with other organisations
and with its wide horizons, in contrast with the market-oriented competition and self centredness of private organisations.

Organisations in the public and private sectors plan differently, because their decision-making, budgeting and accountability processes differ. They budget differently, because their budgeting processes and accountability regimes differ. They organise functions differently, because of their budgeting processes, regulatory and accountability regimes differ. They manage staffing differently, because of their regulatory and accountability regimes as well as their organisational cultures differ. They do, of course have similarities in terms of the tasks they perform (Brianas, 1993; Duncan et al., 1991). The issue of fundamental importance, however, is the extent to which private and public management tasks coincide. Allison (1982: 29) has concluded:

... public and private managers are at least as different as they are similar, and that the differences are more important than the similarities.

The Victorian Public Service Board found in the late 1980s, on the basis of the current practices of 23 Victorian public agencies, that “... the managerial task is similar across sectors, but the level and environment are qualifying variables ...” (Glass et al., 1990: 405) and that “one of the more difficult aspects of public sector management is the requirement to satisfy a number of legislative, regulatory and bureaucratic requirements imposed by bodies external to the agency...” Even if their tasks coincide, however, the question as to which (if any) private sector management techniques can be effectively used in the public sector context still remains unanswered. On this issue Bryson (1991: 192) expresses surprise that in the late 1980s it was not
... easy to find the evidence to assess the effectiveness of those management techniques borrowed from private business that has been applied to the public sector over the last decade. This is surprising because a strong strand of the rhetoric about the recent public sector reforms has been that they are results oriented. Yet mechanisms have rarely been put in place to measure progressively these results.

This issue remains a challenge awaiting to be addressed, the deliberations of the Management Advisory Board's Task Force on Management Improvement notwithstanding.

The second attitudinal change, which began within the APS in the late 1980s, shifted the focus of public management development from training to education and from skills to knowledge. By the mid-1980s public management development had become dominated by narrow, instrumental "training" perspectives (oriented to skill acquisition relevant to specific tasks), which had led Uhr (1988a, 1988b & 1990a) to lament the erosion in the quality of public management because senior executives, he considers, are no longer as well prepared for their legislative and bureaucratic professional responsibilities. It also led Chapman (1987: 157) to conclude that "'education' and 'training' have taken diverging paths and academics and practitioners have drifted apart." The shift in the focus of public management development has been from skill acquisition by means of training with an instrumental mission, towards knowledge acquisition by means of education, but also with an instrumental mission. This came about because of the desire for learning activities sponsored by the APS to have recognised and portable accredited educational outcomes, which brought to centre stage the idea of competency-based education, which promised to provide learning opportunities that not only built
management competencies and capabilities (notably, in the areas of human, financial and physical resources management techniques and skills), but also addressed the challenge of widening cognitive perspectives on the nuances of public domain (notably, the dimensions of personal, ethical, accountability, legislative, political, bureaucratic and client servicing roles and responsibilities). This shift in orientation also offered the promise that public management development could contribute towards the building of management capabilities that would assist middle- and executive-level public servants fit the all-too-evident role-model that had been evolving within the post-reform APS, which is, in essence, a person who is:

- a pragmatic strategic management thinker;
- an effective persuader and communicator;
- a consensus-seeking decision-maker willing and able to make decisions;
- a visionary leader with energy and resilience;
- a networker capable of solving problems;
- a consummate resource manager;
- an effective coach to his or her staff and able to resolve conflicts;
- a committed life-long learner (Gross, 1977) able to integrate readily new ideas and learn new behaviours; and even
- a successful entrepreneur.
Shaping APS Middle Management: The Core Competency Approach

To articulate required middle management "competencies" is to focus on the underlying abilities ("skills", "knowledge" and "attributes") required to perform management tasks rather than on the competent performance of those tasks per se (Holmes & Joyce, 1993). This orientation emerged because the Hawke Labor Government integrated the APS into the national movement to enhance productivity and efficiency, as part of its micro-economic reform package, by enhancing job competencies through competency-based training (Australia, DEET, 1992; Australia, ESFC-NBEET, 1992). The initial management application of this approach focused on APS middle managers, a product largely of the changes in industrial relations practices that occurred in the late 1980s (notably award restructuring and the application of the Structural Efficiency Principle) (Australia, JAPSTC, 1992a). The result has been the emergence of an APS middle management development agenda in the early 1990s that closely links management development to a set of management competencies, the efficacy of this linkage has, however, yet to be demonstrated.

The Concept of Competency. Mansfield has observed (1989: 34):

Work roles are not a bundle of tasks or routine procedures. To base standard development methodology on this premise creates problems at all levels because our expectations of the infrastructure are fixed by the narrow model.

VET (vocational education and training) delivery agents are capable of analysing a task to within an inch of its life yet the aspects of the work role which are valued in the economy -
adaptability in the face of change, management of roles and systems, taking responsibility for contingencies, standards and output, creativity, flexible responses to new market demands remain worthy aims which everyone routinely salutes and does little about.

Scott (1991: 8) is at pains to emphasise

... that 'competency' must be seen to involve far more than the routine application of set skills in set sequence to a set standard (also Field, 1990; Gonezi et al., 1990).

He argues (1991: 9) that in the context of competency "performance skills" required for a specific job must be placed into a setting defined by "a way of thinking" (the ability to reflect upon an experience in order to learn from it) and "stance" (attitudes and values brought to the job). His concern (1991: 10) is that under the influence of task analysis, the performance-skills perspective on competence may "... downplay the development of the the type of stance and way of thinking we need if we want clever as well as technically proficient workers."

The National Training Board (NTB) has adopted a wide conceptualisation of competence (Australia, NTB, 1992: 29), one that goes some what beyond mere technically proficiency:

The concept of competency focuses on what is expected of an employee in the workplace rather than on the learning process; and embodies the ability to transfer and apply skills and knowledge to new situations and environments. This is a broad concept of competency in that all aspects of work performance, and not only narrow task skills, are included. It encompasses:
- the requirement to perform individual tasks (task skills);
- the requirement to manage a number of different tasks within the job (task management skills);
- the requirement to respond to irregularities and breakdowns in routine (contingency management skills);
- the requirement to deal with the responsibilities and expectations of work environment (job/role environment skills), including working with others [emphasis in original].

In Appendix 6.1 the conceptualisations underlying "competency" are defined.

The incorporation of knowledge, and, more particularly, attributes (attitudes, personality traits and motivation) into competency standards is not without its problems. With respect to the inclusion of knowledge, the issue is to identify what discrete components of knowledge are required for a unit of competency. The performance criteria should then refer, implicitly or explicitly, to that aspect of knowledge. Range of Variables Statements can also refer to specific knowledge requirements. Attitudes, values, personality traits and motivation, because they are inputs into competent performance, cannot be readily incorporated into competency standards other than as required forms of knowledge. An understanding of the meaning and role of values (social, organisational, own and others) and attitudes, personality traits and motivation (own and others) can be
included in competency standards only in terms of the performance outcomes expected from having such an understanding.

Developing Competency Standards for the APS. Responsibility for the development of sets of APS-wide generic competencies rests with the Public Service Commission (PSC) within a context set by the Joint APS Training Council (JAPSTC), an advisory body, established under the 1989 Structural Efficiency Agreement, comprising representatives of APS management, public service unions and the education sector, chaired by the Public Service Commissioner (Australia, Parliament, 1992b: 109). JAPSTC’s objective is to develop the training arrangements needed to enhance APS efficiency and flexibility and to improve APS career paths, job satisfaction and working environments. Its role is to advise government on training issues related to the Structural Efficiency Principle, such as the existing and future skill requirements, skills recognition, and training to support award restructuring (Australia, Parliament, 1992b: 109). It has been recognised by the National Training Board as the competency standards body for the APS since 1992 (Australia, NTB, 1994: 118-9).

As a precursor to the establishment of APS-wide core competencies (and subsequently agency-specific core competencies) applicable either to particular types of work or particular levels within an organisation is the undertaking of job analysis. This involves describing and recording, with a behavioural focus, the purposes of a job; its major duties, activities and characteristics; the conditions under which the job is performed; and the standards to be attained (Bemis et al., 1983; Sparks, 1982). This, in turn, generates a set of behavioural statements that define the content of the job (or level). This creates a job (or level) profile, which lists the principle
duties and responsibilities of that job (or level), which allows the specific tasks and behaviours that are considered important to that job (or level) to be identified (Norwack, 1991: 69). From a set of job profiles can be formed "job families", clusters of jobs with overlapping or similar tasks and behaviours (Pearlman, 1980). Emerging from this process are a set of job (or level) core competencies, with their concomitant competency standards, which provide a basis for (Boam & Sparrow, 1992):

- ensuring quality and standards of work performance;
- up-grading skill levels;
- providing incentives for staff to acquire necessary knowledge, skills and competencies in the various stages of their career paths and in the general context of life-long workplace learning; and
- gaining recognition of skills and competencies through the portability of qualifications.

The consequence overall is a move towards the competency-based organisation (Lawler, 1994), one that embraces performance management for continual improvement.

A set of generic competencies have been developed for APS middle managers. They reflect the PSC's perceptions of the middle management competencies required in contemporary APS management environment. They are not intended to accommodate the idiosyncratic requirements of specific agencies engaged in commercial activities.
Middle Management Core Competencies. Appendix 6.2 contains the
generic core competencies that have been identified for APS staff in the
Senior Officer Structure (that is staff in the classifications Senior Officers
Grade C (SOG C) to Grade A (SOG A) and their technical and professional
equivalents), who constitute the APS middle managers. It should be noted,
however, that the popular usage of the APS designation “middle manager”
extends down to staff in the lower classifications of Administrative Service
Officer Grades 5 (ASO 5) and Grade 6 (ASO 6), which embraces a wide range
of staff with programatic knowledge and/or technical or other special skills,
some of whom have first-line staff supervision responsibilities, especially
those located in regional offices, while others in central policy agencies may
have only minimal (if any) supervisory responsibilities (Tomlin, 1992: 42).
These generic management competencies have been adapted by APS
agencies to ensure that they reflect their idiosyncratic critical success factors
for enhanced organisational performance. The Department of
Immigration, Local Government and Ethnic Affairs, for example, has
postulated the following five competency clusters: “communicating”,
“making sense of the environment”, “managing people”, “program
management” and “focusing on quality” (Hunt & Meech, 1991: 451). The
Department of Administrative Services (DAS) developed quite a
distinctive set of competencies, which are given in Appendix 6.3. It should
be noted that DAS has adopted a broader conceptualisation of
“competency” than that used by the PSC by adopting a multi-level
competency model that embraces not only skills and knowledge (expressed
in behavioural output terms), but also social role and self-image, and traits
and motives (expressed as desired personal attributes) (Australia, DAS,
1994: 25). By so doing DAS has acknowledged these attributes as important
dimensions in job performance.
A comparison of Appendices 6.2 and 6.3 reveals quite significant differences in the emphasis of the generic APS middle management competencies and those articulated for DAS middle managers:

- the generic APS competencies include managing organisation change (competency elements 6.1 to and 6.5) which is not included in the DAS competencies;

- the DAS competencies include the following competencies not included in the generic APS competencies:
  - business enterprise management practices (competency 2.1, especially desired behaviour 2.1.5);
  - customer orientation (competency cluster 1, especially competencies 1.1 and 1.2); and
  - agency-specific values acceptance and re-enforcement (competency 4.4, especially desired behaviour 4.4.1);

- the generic APS competencies emphasise:
  - strategic planning (competency elements 2.1 to 2.5), whereas the DAS competencies include only strategic thinking (competency 2.2); and
  - managing staff (core competency 3 to 5), whereas the DAS competencies emphasise managing both clients (competency clusters 1) and staff (competency clusters 3); and

- the DAS competencies give more emphasise:
• to interpersonal skills (core competencies 1.3, 1.5, 5.1 and 5.4) than do the generic APS competencies (core competency 4); and

• to service delivery (core competencies 1.4) than do the generic APS competencies (competency element 5.6).

Indeed, from Appendices 6.2 and 6.3 it can be seen that the role of middle managers in DAS is quite distinctive from that of the role model APS middle manager. In the former, their role is one of managing service delivery processes, with a strong customer orientation and with a concern for problem solving and for improving efficiency, productivity and economy. In the latter, their role is one of managing resources in accordance with a strategic plan, within a framework defined by APS and organisational regulatory requirements, managing organisational change and practicing ethical behaviours. Middle managers with one set of competencies are not readily interchangeable with middle managers with the other set of competencies, although the transfer of DAS middle managers to policy or service delivery agencies may be somewhat less problematic, especially with respect to commercialising service delivery agencies, than the transfer of middle managers from policy or, to a lesser extent, budget-funded service delivery agencies, to DAS.

Shaping APS Executive Management: Beyond Competencies

Under the core competency methodology, which has not been applied to the SES structure, a competency is an outcome rather than input-oriented concept, and thus can embrace attitudes and values, personality traits and motivation only when an understanding of them can be expected
to have a performance outcome. This is not to suggest, however, that these factors do not influence the achievement of job performance, which, arguably, they do (McClelland, 1961, 1975 & 1976), especially in the context of executive management.

**Performance Dimensions.** Performance dimensions, which can be articulated at the threshold performance level (so defining performance adequacy) or at the differentiating performance level (so defining performance excellence), are the factors that lead to job success, and can be categorised as (McClelland, 1961, 1975 & 1976; also Austin et al., 1986):

- skills: what individuals must be able to do to function in a job;
- knowledge: what usable paradigms, concepts, techniques and facts they must have to function in a job;
- attitudes and values: how they perceives their identity and what work they value and enjoy; and
- personal characteristics: how they typically behave and what determines that behaviour.

Within this conceptual framework, performance dimensions that relate to *skills* and *knowledge*, which correspond to competencies, can be enhanced by undertaking appropriate learning activities; those that relate to *attitudes* and *values* can be changed as a result of learning experiences undertaken, but perhaps not so readily; while those relating to *personal characteristics* are much harder to change by means of learning experiences.
Appendix 6.4 contains a set of generic executive public management performance dimensions. Executive public managers should have both sound management practices and wise instrumental, moral and political judgment, making them capable of managing the organisational expectations of their internal and external constituencies by being able to negotiate appropriate expectations and to detect and reduce any discrepancies that might emerge (Connolly et al. 1980; Tsui & Ashford, 1994). Perhaps more importantly, they should have what Uhr (1987a: 23) describes as an appreciation of "when and how to adjust their behaviour along the scale from responsive implementation to vigorous questioning."

**APS Executive Management Skills and Personal Characteristics.** A broad consensus has emerged in the APS since the late 1980s on the generic skills and personal characteristics considered necessary for an effective SES management performance. Appendix 6.5 articulates those generic skills and personal characteristics.

This set of executive abilities, which broadly correspond to the performance dimensions articulated in Appendix 6.4, reflect the ascendency of managerialist view of the role of the APS executive manager. Yet it acknowledges the importance of policy-relevant conceptual, analytical and judgmental abilities. It also acknowledges the deliberate practice adopted within the APS throughout the 1980s of defining executive management (SES) positions in generalist rather than specialist terms (except is the specific areas of law, medicine and engineering), so as to diminish the proportion of professionally-classified SES positions (Fisher, 1990: 137).

A comparison of Appendix 6.2 and 6.5 reveals the essential differences between APS middle and executive management: the former being more
oriented towards the straightforwardness of the operational; the latter being more oriented towards the ambivalence of uncertain complexity. The executive manager must have, in addition to the specific competencies of the middle manager, a capacity for strategic thinking, analytical and judgmental skills, which can be used to set priorities and manage multiple and often conflicting objectives, projects or activities, fully cognisant of the organisation's policies and procedures, and the needs and interests of key personnel and other various stakeholder groups. Moreover, the executive manager must have had "enough assignments with enough different people in enough diverse settings to be understanding and wise" (Glass et al., 1990: 409) in order to be able to:

- anticipate future environment trends;
- facilitate proactive management;
- recruit quality people and develop their full potential;
- manage ambiguities and paradoxes wisely;
- act in accordance with a set of ethical principles; and
- know when and how to be decisive, assertive, a risk-taker and a leader.

Inculcating Desired Management Behaviour into the APS

The challenge confronting APS agencies is to create a conducive learning environment for effective management development and learning transfer. Such an environment must facilitate change (risk taking), by conceptualising mistakes as learning opportunities, and by
encouraging the questioning of organisational mission, strategies, systems, assumptions and values, so as not only to encourage the learning of desirable management behaviours, but also to facilitate their transfer to the workplace (Garavaglia, 1993). This also facilitates organisational learning (Kim, 1993), which is essential for the enhancement of organisational efficiency, adaptability and maintenance, which, in turn, is crucial to organisational success in an increasingly turbulent and even competitive environment (Redding & Catalanello, 1993; but see Ventriss & Luke, 1988). This requires an organisational capacity:

- to create, acquire and transfer knowledge;
- to modify individual member behaviour to reflect this new knowledge and the insights gained from it;
- to use feedback processes to provide information on what has been learned and what has been done with that learning; and
- to see connections between issues, events and information as forming patterns that generate holistic organisational perspectives.

A management development process that focuses on learners being able to demonstrate the required management competencies does not ipso facto either prepare them for the behaviour changes required to practice the learnt desired new management behaviours, or guarantee the attainment of improved management performance, let alone the improvement of organisational performance (Pickering & Matson, 1992). To inculcate desirable new management behaviours requires the creation of a work environment that facilitates their practice in the workplace, which

There are a myriad of motivational forces that drive individuals towards the practice of the new behaviours:

- need: hierarchy of needs theory, as argued by Maslow (1970) (also Wahba & Bridwell, 1976); motivation-hygiene theory, as argued by Herzberg, Mausner and Snyderman (1959) and Herzberg (1966) (also Maidani, 1991); achievement-power-affiliation theory, as argued by McClelland (1961); and existence-relatedness-growth theory, as argued by Alderfer (1969 & 1972);

- goal setting: specificity of goals theory, as argued by Locke (1968) and by Locke and Latham (1990));

- expected attractiveness of outcome: expectancy theory, as argued by Vroom (1964); and

- social comparisons: equity theory, as argued by Adams (1965)).

Which of these motivational forces best facilitates the adoption of new behaviours depends on the individuals'.
• personal characteristics, notably their capacity and willingness to be critically observant of their own motivators; and

• attitudes and values, notably their capacity and willingness to build their motivation.

To change management behaviour requires a variety of organisational strategies, premised on the proposition that individuals in the process of adopting a new behaviour experiences learning (Atkinson et al., 1988) that can be the result of:

• observations made of the new behaviour as practiced by another person, and its subsequent imitation by the learner (social learning theory, as argued by Bandura (1986)); or

• feedback received by the learner about the success or failure attendant upon the new behavioural being practiced (positive and negative reinforcements theory, as argued by Skinner (1969)).

The practice of learnt desirable new management behaviour in the workplace can thus be encouraged by means of:

• role modelling, involving the use of "model" managers practicing the desirable behaviours for other managers to observe, recall, rehearse and imitate (Manz & Sims, 1981); and/or

• instrumental conditioning, involving the consistent application of contingencies of reinforcement (Frederiksen,
1982; Kerr, 1975; Komaki et al., 1989; Luthans & Kreitner, 1982; Miller, 1978):

- "positive reinforcement" (providing a rewarding or satisfying consequence following the performance of the desired management behaviour, which further encourages that behaviour);

- "negatives reinforcement" (stopping a dissatisfying consequence following the performance of a desired management behaviour, which further encourages that behaviour);

- "extinction" (stopping a satisfying consequence from following the performance of an undesired management behaviour, which discourages that behaviour); and/or

- "punishment" (by providing an unsatisfying consequence following the performance of the undesired management behaviour, which further discourages that behaviour).

How, and even whether, the continued practice of undesirable behaviour should be "punished" is open to some question (Arvey & Ivancevich, 1980; Arvey & Jones, 1985; Beyer & Trice, 1984; Katz & Kahn, 1978; Lussier, 1990; Miner & Brewer, 1976; O'Reilly & Weitz, 1980; Podsakoff, 1982), for while the undesired behaviour may be temporarily suppress or at least weaken by "punishment", it could well have undesirable secondary effects. The recalcitrant managers, may in the face of "punishment", resort to counter-productive defensive behaviours (like the
denial of personal shortcomings or the blaming of others) or aggressive behaviours (like hate, hostility and deviousness). They are most likely to become de-motivated, perhaps because of their confusion over their slighted dignity, caused when their job commitment is questioned, or because of their anger and frustration, caused when they cannot deal with that confusion. Their sub-conscious hope is that change will not be necessary for them, which is when they begin to blame others for their plight. Disillusionment follows, which is when they communicate their unhappiness with others. Then comes unco-operativeness, which is when they begin criticising their organisation. Ultimately, they become non-functional members of the organisation, which is when they become alienated and cynical in their behaviour. They may become focussed on what Homer and Levine (1985: 241) describe as “trivocracy” namely:

. . . continual intense combat over issues which seem to outside observer to be unimportant to both the organization and its members while the major problems and opportunities confronting the organisation go unattended.

Such a preoccupation, they (1985: 249) argue:

. . . produces alienation from colleagues and work, and produces a host of collective bards from low morale to low productivity. The individual is always on the defensive: forced to fight for one’s dignity, ever fearful with no permanent gains made.

Preparing managers for management performance improvement by means of organised learning experiences can be ineffective if their organisations are unwilling and/or unable:
to encourage, or at least to stop discouraging, the practice of the desired management behaviours; and

to deter, or at least to stop encouraging, the practice of undesirable management behaviours.

Yet, ultimately, improved management performance only comes through personal behaviour change, whether prompted by internal motivational forces or by behaviour modification strategies. This requires that the individuals concerned:

- know what new (changed) behaviour they are expected to perform;
- know what to look for when performing the new behaviour and how to perceive it;
- know how to perform the new behaviour;
- feel able to perform the new behaviour, and realise that they are expected to do so;
- feel confident that the new behaviour will produce the promised rewards, and realise that not changing behaviour is unacceptable and may attract a punishment; and
- value the rewards (and/or fear the possible punishment) sufficiently to justify the behaviour change.

In this setting, there is a need for organisations to recognise that the personal change process that has to be embarked upon in order to achieve the desired management improvement is a complex one that needs a
supportive environment, not just rewards and punishments, for individuals must be able (Dixon & Harding, 1989):

- to believe that they can meet the challenge of changing their management behaviour with a minimum of fear and anxiety;

- to adapt to the changes they face;

- to develop the skills needed to:
  
  - define their self-image, including their goals, the source of their self-esteem, and the instances where they feel threatened, in terms of both real and perceived threats;
  
  - gain a perception of their image held by others; and
  
  - reconcile these two images;

- to articulate their needs, which involves over-coming:
  
  - the feeling that their needs may be too trivial to describe;
  
  - the requirement that their needs must be justified;
  
  - the feeling that their needs are in some way degraded if they are articulated;
  
  - the recognition and acceptance of unimportant needs; and
  
  - the defining of what are the important needs to be met;
• to recognise the real possibility that their needs will probably not be met;

• to recognise the presence of real or perceived threats;

• to determine the degree of trauma likely to flow from these threats;

• to adjust their threshold of acceptance, including recognition of their natural reactions to change, such as the temptation to argue that change is not necessary and is undesirable;

• to perceive changes coming, and deal with their perceptions of, and responses to, un-anticipated, anticipated, and self-generated changes;

• to perceive and come to terms with the irreconcilability of some of the changes and their own needs;

• to recognise the degree of inevitability of changes involved and the extent to which these changes can be negotiated:

  • if the change is negotiable, then the need to enter external negotiations to enable needs to be met; alternatively,

  • if the change is non-negotiable, then the need to enter internal negotiations in order to:

    • embrace the idea of change, by coming to terms with their inevitability and non-negotiability; or
• acknowledge the need to consider exiting from organisation;

• to perceive the need to adjust their own needs in light of change, including the necessity to close some options which they had previously held open;

• to determine the necessary modifications to their needs, by making the attitudinal adjustments required to receive the changes;

• to perceive the possibility that they must adjust their lifestyle;

• to perceive the possibility that they must adjust their self-image; including the ability to perceive the required or expected management behaviour as "positive" and "progressive" rather than or "negative" or "regressive";

• to perceive the possibility that they need to adjust their sources of self-esteem;

• to recognise the time-frames involved in the implementation of required or expected management behavioural change, which is important since timing is of paramount importance in the acceptance of an adaption to change;

• to recognise the application of the required management behavioural changes when they occur;

• to recognise the implications of the required or expected management behavioural changes when they are applied,
including the ability to honestly assess the "negative" implications;

- to adjust, voluntarily, their management behaviour to reconcile with these implications; and

- to adjust their management behaviour and attitude when the implications are other than anticipated.

The efficacy of a management development process that imparts the necessary skills and knowledge required for managers to practice the desired management behaviours, and that prepares them for the necessary personal behaviour change process, is dependant upon the organisations being willing and able to facilitate the transfer of that learning to the workplace. The challenge of designing a learning process that will achieve this is met by the adoption of a learner-based, problem-centred approach to learning for, rather than about, public management.
Appendix 6.1: The Competency Lexicon

A Competency: A specification of the knowledge and skill, and the application of that knowledge and skill, within an occupation or industry level, to the standard of performance required in employment.

Competency Clusters: Groups of related competencies.

A Competency Standard: A configuration of "units of competency" that specify the knowledge and skills, and their application, to the standard of performance required in a specific job.

A Unit of Competency: Defines an identifiable and meaningful discrete component of work, expressed in output terms.

An Elements of Competency: Describes the lowest, logical, identifiable and meaningful discrete sub-component of a "unit of competency", expressed in output terms, which is carried out for a specific purpose leading to a specific outcome, and which requires the application of knowledge and skill.
Performance Criteria: A set of evaluative statements that specify the required outcomes by which the "units of competency" as a whole and the constituent "elements of competency" can be judged by an assessor as being performed to the level acceptable in employment.

Range of Variable Statements: Define the boundaries within which a "unit of competency", and its constituent "elements of competency", apply and so contextualise the competency.

Evidence Guide: Sets the context within which an individual would need to be assessed, including the context for that assessment (for example, the environment in which it would take place or the equipment needed); the critical aspects of a "unit of competency" and their relationship with other "units of competency" (for example, whether "units of competency" should be assessed together); and/or the required evidence of competency (for example, the particular aspects of the knowledge or skills and their application of which
evidence is required to establish competence).

**Competency Levels:** A hierarchy of competency benchmarks that demarcate differential levels of performance of discrete component of work (a "units of competency") that is acceptable in employment. The Australian Standards Framework articulates an eight-level hierarchy of competency performance.

**General Competencies:** Competencies required for work generally.

**Core Competencies:** Groups of "units of competency" within a competency standard that an industry has agreed are essential to be achieved if a person is to be accepted as competent at a particular level.

**Optional, Specialisation or Elective Competencies:** Groups of "units of competency" within a competency standard where a certain number drawn from the overall group must be achieved if a person is to be accepted as competent at a particular level.

**Source:** Derived from Australia, NTB, 1992.
Appendix 6.2: APS Senior Officer Structure Core Competencies

UNIT OF COMPETENCY ELEMENTS OF COMPETENCY

1 Apply Knowledge of APS and Agency Context at Work

1.1 Use knowledge of the context to identify risks, opportunities and strategic issues for the future.

1.2 Anticipate and take account of the impact of the external environment on agency goals, policies, programs and operations

1.3 Use an understanding of agency operations, practices, procedures and values to inform decision making and guide problem solving.

1.4 Analyse and apply relevant external and internal information in providing client service.

1.5 Contribute to policy formulation.
1.6 Apply knowledge of relevant industrial processes in appropriate contexts.

2 Plan for Results

2.1 Use strategic and operational planning processes to set goals, develop plans and objectives.

2.2 Plan to meet client needs and accountability requirements.

2.3 Gain acceptance and support for objectives and strategies.

2.4 Plan and acquire resources.

2.5 Develop and negotiate staffing plans.

3 Lead and Develop People

3.1 Identify and communicate direction for self and others.

3.2 Devise and implement competency development strategies in conjunction with staff.

3.3 Manage and improve the performance of individuals.
3.4 Use open communication and involve others in decisions and problem-solving.

3.5 Motivate staff towards achieving quality results.

3.6 Develop and maintain team harmony and resolve conflict.

3.7 Manage staff in accordance with APS and organisational regulatory requirements.

4 Interact with People

4.1 Communicate effectively both orally and in writing.

4.2 Listen actively and use other non-verbal communications and interpersonal skills.

4.3 Represent the organisation and work group.

4.4 Liaise and negotiate effectively.

4.5 Build and maintain relevant networks and relationships.
5 Manage Resources

5.1 Allocate and record usage of resources.

5.2 Monitor, evaluate and report on performance and results against objectives.

5.3 Design and organise work participatively to meet job and people requirements.

5.4 Delegate responsibility and authority.

5.5 Manage resources in accordance with APS and organisational regulatory requirements.

5.6 Deliver the product or service.

6 Manage Change

6.1 Anticipate and assess the impact of change.

6.2 Communicate an understanding of what change is occurring, how it is occurring and why.

6.3 Create and foster an awareness of the opportunity for change and an environment conducive to change.
6.4 Lead others in adapting to change.

6.5 Work in accordance with industrial processes in managing change.

7 Manage Own Performance

7.1 Recognise and apply own strengths and address areas for development.

7.2 Be open to and act constructively on personal feedback.

7.3 Demonstrate integrity and apply ethical practices.

7.4 Demonstrate self organisation and a high degree of personal accountability.

7.5 Adapt management style and techniques to suit given work situation

Source: Australia, JAPSTC, 1992.
Appendix 6.3: Department of Administrative Services' Senior Officer Structure Competencies and their Associated Behaviours

COMPETENCY CLUSTERS/COMPETENCIES

ASSOCIATED DESIRED BEHAVIOURS

1 Be the First Choice of Our Customers

1.1 Valuing the Customer

The ability to understand the customer’s business and be sensitive to the customer’s wants and expectations.

1.1.1 Have a strategic understanding of the client’s market and business.

1.1.2 Gather market intelligence on competitor’s strategies, services and pricing.
1.1.3 Conduct regular surveys of customer needs.

1.1.4 Establish effective contact and rapport at various levels within client organisations.

1.1.5 Respond to customer requests in a responsive and helpful fashion.

1.2 Relationship Building

The ability to establish rapport easily and to develop and maintain a network of contacts who can provide information, help and access.

1.2.1 Develop and use a network of contacts.

1.2.2 Build and maintain positive client/supplier long term relationships.

1.2.3 Offer trade-offs to others to get their co-operation or support.
1.3 Negotiating Skills

The ability to influence and bargain with another party in order to reach an agreement attractive to DAS within a win/win context.

1.3.1 Recognise negotiating opportunities.

1.3.2 Develop a spirit of cooperation and trust with other parties.

1.3.3 Plan, negotiating strategies before discussion commences

1.3.4 Keep discussions going with other parties.

1.3.5 Maintain composure and hold to strategy in the face of hostility and conflict.

1.4 Innovation

The ability to generate novel and individual ideas and to use the ideas
to develop new or improved products, processes or services.

1.4.1 Generate new ideas and concepts to improve customer service.

1.4.2 Spot opportunities to improve or modify existing services.

1.4.3 Improve the way in which existing internal processes function

1.4.5 Recognise the potential of new ideas suggested by staff or customers.

1.4.6 Champion new ideas through appropriate decision makers.

1.4.7 Spot opportunities to recommend and sponsor other DAS group services

1.5 Persuasion Skills

The ability to convince others by presenting logical arguments,
pointing out benefits to others and using language tailored to the audience.

1.5.1 Use information or data effectively to persuade or support a situation.

1.5.2 Anticipate and prepare for how people react.

1.5.3 Present own position persuasively.

1.5.4 Persuade others by pointing out benefits to them.

1.5.5 Tailor own language to level of audience.

1.6 Conceptual Skills

The ability to apply concepts or principles, learned or previously encountered, to problems or situations.

1.6.1 Draw logical conclusions.
1.6.2 Use concepts or principles to describe problems and situations.

1.6.3 Identify inconsistencies or discrepancies that are not obvious to others.

1.6.4 Notice similarities between new situations and past situations of the same type.

1.7 Technical Expertise

The use of technical knowledge and expertise to solve problems relevant to the job.

1.7.1 Make self available to help others solve technical problems.

1.7.2 Keep up-to-date in the technical aspects of the job.

1.7.3 Act on own to improve own technical knowledge.

2 Achieve Financial Success
2.1 Business Appreciation

The ability to understand general business principles and priorities and apply them with regard to the DAS commercial environment

2.1.1 Establish and monitor appropriate business performance indicators.

2.1.2 Understand the cost implications of services provided.

2.1.3 Monitor and interpret sales and expenditure, predict trends and control costs.

2.1.4 Use quality management concepts in dealing with operations.

2.1.5 Behave as a manager of a business enterprise.
2.2 Strategic Thinking

The ability to identify patterns or connections between situations that are not obviously related and to identify the underlying issues in complex situations.

2.2.1 See the "big picture" view of the [administrative] unit's direction or strategy.

2.2.2 See connections or patterns that are not obvious to others.

2.2.3 Rapidly identify key issues in a complex situation.

2.2.4 Find ways to condense a large amount of information to a useful form.

2.3 Analytical Thinking

The ability to break down complex tasks to generate detailed plans and to think of multiple causes
and consequences as events.

2.3.1 Analyse situations logically to identify causes.

2.3.2 See the implications of events or information.

2.3.3 Break complex tasks into parts in a systematic, detailed way.

2.4 Concern for Order

Concern for getting things done with a minimum use of time, money and resources.

2.4.1 Strive for continual improvement.

2.4.2 Look for ways to do things more quickly and at a lower cost.

2.4.3 Introduce new technology and methods to improve efficiency and productivity.
2.5 Organisational Awareness

The ability to understand and learn the power relationships in the Department; to identify who the real decision makers are and the individuals who can influence them; the ability to predict how new events or situations will affect individuals or groups within the Department generally.

2.5.1 Understand the political relationships in an organisation.

2.5.2 Identify the key actors who influence a decision in an organisation.

2.5.3 Understand organisational implications of an event.

2.5.4 Know how to use the organisation's information system to get things done.
3 Be a Good Employer

3.1 Coaching

Directs efforts to improve the skills of staff.

3.1.1 Give people assignments, training or delegated tasks to develop them.

3.1.2 Express the expectations of others.

3.1.3 Give others specific, detailed feedback.

3.1.4 Resource staff after setbacks.

3.1.5 Identify training needs and develop strategies.

3.1.6 Provide opportunities and support to team members to attain career goals.

3.2 Group Management

The ability to develop cooperation and teamwork while leading a group of people. Demonstrated by
seeking the input of group members, encouraging their participation, treating them fairly and equitably, keeping them informed, and finding ways to reduce conflict within the group. Seeking solutions that benefit all parties.

3.2.1 Solicit the inputs of others who are affected by planned activities.

3.2.2 Act to develop an atmosphere of teamwork and co-operation.

3.2.3 Demonstrate concern for treating people fairly and equitably.

3.2.4 Keep people informed, clear and up to date.

3.2.5 Get people to resolve their conflicts.

3.2.6 Give credit or recognition to others who have
3.3.2 Influence Strategies

The ability to develop and use effective strategies to subtly influence others.

3.3.1 Develop and use subtle strategies to influence others.

3.3.2 Make others feel ownership in one’s solutions or proposals.

3.3.3 Use experts or third parties to influence.

3.3.4 Select and screen the information to be given to others.

3.4 Setting Boundaries

The ability to use the power of one’s position in an effective and appropriate way.
3.4.1 Tell others what they must do.

3.4.2 Talk openly and directly with staff about performance problems.

3.4.3 State expectations and boundaries.

4 Be a Responsible Australian Enterprise

4.1 Flexibility

Capacity to cope with and adapt to changes in variability in job demands. Ability to understand and appreciate different perspectives.

4.1.1 Deal effectively with non-routine or unexpected situations.

4.1.2 Handle successfully simultaneous assignments and priorities.

4.1.3 Recognise merits of positions that differ from his/her own.
4.2 Environmental Awareness

An ability to understand and correctly interpret the principles and culture of the APS within the broader Australian context, particularly with regard to the equitable use of resources.

4.2.1 Provide sound policy advice and recommendations.

4.2.2 Analyse and assess the impact of Government policies and initiatives on own work situations.

4.3. Concern for Accountability

A concern for the equitable application of policies and regulations and the proper maintenance of
delegated authorities and responsibilities.

4.3.1 Understand own job accountabilities and take responsibility for executing them effectively.

4.3.2 Play a quality assurance role in ensuring that work within the unit meets established standards.

4.3.3 Fulfil obligations in regard to EEO, OHS and industrial democracy principles.

4.3.4 Keep clear, detailed records of own and other’s activities.

4.4 Upholding DAS Values

A concern for providing appropriate models of personal behaviour and reinforcing the values explicit or implicit with success in DAS terms.
4.4.1 Openly support DAS strategic direction and senior management decision making.

4.4.2 See him/herself as responsible for managing change locally.

4.4.3 Promote the service of other DAS groups and the organisation as a whole.

5 Maintain Personal Effectiveness

5.1 Presentation Skills

The ability to verbally express one’s thoughts or to convey information to others in a logical, clear and audible manner.

5.1.1 Explain clearly work plans; decisions impending changes and other information to both [sic] subordinates, superiors and peers.
5.1.2 Create opportunities for staff to express ideas, views and concerns.

5.1.3 Express ideas in a logical, crisp and positive manner.

5.1.4 Use word pictures, stories and analogies to aid others understanding.

5.1.5 Speak clearly and concisely.

5.1.6 Simplify complex concepts and information for non-technical audiences.

5.2 Tenacity

Ability to stick with a difficult task over an extended period of time when faced with obstacles or rejection.

5.2.1 Put in extensive time in order to complete a task.

5.2.2 Take persistent repeated action to overcome obstacles.
5.3. Self Control

The ability to keep one’s emotions under control when provoked, when faced with opposition or hostility from others or when working under stress.

5.3.1 Continue to work well under stressful conditions.

5.3.2 Accept criticism rationally.

5.3.3 Keep calm in the face of others anger.

5.3.4 Is not defensive when handling complaints or conflict [sic].

5.4 Interpersonal Sensitivity

The ability to understand and interpret individual’s concerns, motives and feelings, and to recognise
strengths and limitations in others.

5.4.1 Understand both the strengths and weaknesses of others.

5.4.2 Understand the reasons for others behaviour.

5.4.3 Know what motivates particular individuals as well as what turns them off.

5.4.4 Correctly perceive the moods and feeling of others.

5.4.5 Take time to listen to other people's problems.

Appendix 6.4  

Generic Executive Public Management Performance Dimensions

1. Skills

1.1 Analytical Thinking

The ability to:

- discriminate between important and unimportant details;
- recognise inconsistencies between facts; and
- draw inferences from information.

1.2 Autonomy

The ability to work without close supervision.

1.3 Conflict Resolution

The ability to resolve interpersonal conflicts.

1.4 Control Systems

The ability to use control systems to ensure that resources are
directed towards organisational and policy goal achievement.

1.5 Co-ordination

The ability to co-ordinate the use of resources so as to best achieve postulated organisational and policy goals.

1.6 Delegation

The ability to delegate both authority and responsibility effectively to subordinates.

1.7 Development of Others

The ability to identify and to meet the training and development needs of subordinates.

1.8 Fact Finding

The ability to:

- identify the facts needed to make a particular decision; and

- locate and/or collect the required facts;
1.9 Feedback

The ability to give feedback to subordinates on their work performance.

1.10 Forecasting

The ability to anticipate changes in workloads and resource needs as a result of changes in the work practices, technology or the external environment.

1.11 Goal Orientation

The ability to ensure that the results to be achieved are clearly defined and understood by all subordinate staff.

1.12 Leadership

The ability to give appropriate leadership to subordinates in ways that are appropriate to the work situation.

1.13 Management Efficiency

The ability to manage resources and processes efficiently so as to
achieve postulated organisational and policy goals.

1.14 Meetings Conduct

The ability to conduct meetings efficiently, effectively and fairly.

1.15 Multiple Focus

The ability to manage effectively multiple and often conflicting objectives, projects or activities.

1.16 Negotiations

The ability to negotiate effectively and efficiently expectations and outcomes.

1.17 Networking

The ability to build and use networks of individuals so as to enhance goal achievement.

1.18 Oral Communications

The ability to communicate orally effectively with a wide spectrum of people.
1.19 Organisation and Planning

The ability to organise and plan activities.

1.20 Priority Setting

The ability to:

• differentiate between tasks of varying degrees of importance or varying degrees of urgency;

• maintain a clear sense of priorities; and

• retain a vision of the grand design.

1.21 Selection

The ability to assign tasks and to delegate authority and responsibility to the most appropriate subordinates.

1.22 Strategic Thinking

The ability to think strategically about a management or organisational issues or problems.
1.23 Systems Perspective

The ability to see an organisation as a group of interconnecting parts, which is, itself, only a part of a larger politico-administrative system operating within a macro socio-political system.

1.24 Team Building

The ability to develop subordinates into a team seeking a common vision and set of goals.

1.25 Time Management

The ability to manage own time and the time of others effectively.

1.26 Written Communications

The ability to communicate in writing effectively with a wide spectrum of people.

2. Knowledge

2.1 Of Subordinate Jobs

An understanding of the purpose, general tasks and required performance dimensions (or
competencies) of the jobs of subordinate staff.

2.2 Of the Organisation

An understanding of organisational policies, procedures and key personnel and how they relate to the larger contextual politico-administrative and socio-political systems.

2.3 Of Management

An understanding of management principles and practices as they apply to public organisations that are part of a larger politico-administrative system operating within a macro socio-political system.

2.4 Of Stakeholder Groups

An understanding of the nature and needs of the organisation’s various stakeholder groups, both internal and external, including customers, service recipients and others in the broader contextual politico-administrative and the macro socio-political systems.
3. Attitude

3.1 To Accessibility
A willingness to be accessible to subordinates and other internal and external stakeholders, and the judgment to know the limits of that accessibility.

3.2 To Assertiveness
A willingness to be assertive and the judgment to know when to be assertive.

3.3 To Decisiveness
A willingness to be decisive even when confronted with paradoxical situations, and the judgment to know when not to be.

3.4 To Participation
A willingness to use participative decision-making and management styles.

3.5 To Risk Taking
A willingness to take risks when the consequences are difficult to predict, when the cost of failure
could be high, when the organisational payoffs from success are likely to be great, but when the personal payoffs from success are likely to be modest; and the judgment to know when not to.

3.6 To Ethical Behaviour

A willingness to act in accordance with a set of ethical principles that embrace honesty and conformity to law, democratic responsibility, public interest, ethical responsibility and organisational purpose even in situations where those principles may be mutually contradictory or even contradict the dominant social norm.

4. Personal Characteristics

4.1 Motivation

A capacity to self-motivate, even in circumstances where poor performance is not punished and good performance and initiative are not fully rewarded.
Flexibility

A capacity to adjust to changing and new circumstances, even when they are ambiguous, uncertain, imprecise or indeterminate.

Energy Level

A capacity to adjust personal energy level to that appropriate to the prevailing circumstances.

Persistence

The capacity to persist with a course of action, despite any resistance, and the judgment to know when to desist.

Appendix 6.5: Senior Executive Service Core Skills and Personal Characteristics

1. Corporate Management Skills

1.1 Management/Business Acumen

Ability to:

- be proactive in introducing relevant change in a timely and appropriate manner;
- plan for and effectively manage resources, including financial resources; and
- recognise opportunities and suggest innovative proposals, initiate action that may, after assessment, involve risk taking.

1.2 Strategic Skills

Ability to:

- understand the overall context in which the organisation operates and
participate in development of departmental goals; and

- develop strategies to attain departmental goals, balancing short and long term perspectives.

1.3 Achievement Orientation:

Ability to:

- prioritise work, set specific work standards and achieve results, and measure accomplishments, against work goals;

- set a task/plan and persist with it until objectives are achieved or are longer reasonably affordable; and

- accept a high level of personal responsibility for the effective completion of tasks.

2. Representation and Interpersonal Skills

2.1 Communication

Ability to:
• present oral material and communicate in writing, in a fluent and logical manner;

2.2 Presenting

Ability to:

• present the organisation in public forums and observe protocol; and

• gain acceptance for the organisation’s goals before a variety of audiences.

2.3 Interpersonal/Conflict Resolution

Ability to:

• establish rapport with a wide range of people, adjusting approaches to suit different people or situations;

• attend and be receptive to the oral and non-verbal messages of others; and

• resolve conflicts.

3. Leadership
3.1 Vision

Ability to:

- communicate a strategic "vision" for the organisation.

3.2 People Management

Ability to:

- project a positive attitude to people and create a high degree of morale and team cohesion; and

- manage people with whom one works, including:
  - assessing their strengths and weaknesses and acting to reinforce strengths and remove or compensate for weaknesses;
  - engaging in team approach to work management, supporting the proper practice of ID [industrial democracy] and EEO
[equal employment opportunity] principles in dealing with people; and

- providing and receiving feedback in performance appraisal and dealing effectively with performance in the workplace.

3.3 Self Knowledge/Management

Ability to:

- exhibit honesty, integrity and fairness in work situations;

- assess own strengths, weaknesses, knowledge, work style preferences, skills and interest and seek additional training or experience to overcome deficiencies;

- deal with pressure, ambiguity and change; and

- adapt to new environments and subject matters.
4. Conceptual and Analytical Skills

Ability to:

- comprehend and distil significant issues from complex material;
- identify priorities in complex problems;
- integrate diverse sources of information, viewing work issues from multiple perspectives; and
- generate workable solutions to problems.

5. Judgment

Ability to:

- make sound and well informed decisions; and
- perceive the impact and implications of decisions.

7. POST-EXPERIENCE PUBLIC MIDDLE-MANAGEMENT EDUCATION

The implications of the post-reform APS management, organisational and politico-administrative environments for post-experience public management education are analysed in this chapter. It does this by examining the twin learning issues that underpin public management education: curriculum content and design; and learning process design.

APS Middle Management Education

Within the Australian Public Service (APS) a consensus of opinion began to emerge in the late 1980s in support of managerialist perspectives on what are the desirable behaviours of its middle managers. The management development challenge thus became one of selecting the best way of developing those desired management behaviours. The focus of this challenge were the APS’s existing middle managers, the next generation of executive managers, who found themselves threatened by the devolution, decentralisation and commercialisation reforms, who needed every competitive edge to gain promotion into the Senior Executive Service (SES), and who were rewarded by performance bonuses for any demonstrable improvement in their management competencies. To meet this challenge required the selecting of the mix of learning processes most capable of providing, in the setting of the APS’s politico-administrative environment, learning opportunities that:

- built commitment to, and belief in, the importance of increasing public management performance;
• enhanced public management skills;
• widened cognitive perspective on public management;
• prepared middle managers for executive management; and
• produced a portable qualification, which documented enhanced management competency achievements, recognised throughout the APS, not to mention the private sector (for those seeking a safety net in the event of redundancy, corporatisation or privatisation).

In essence, the central requirement for cost-effective public middle management development became the adoption of learning processes that imparted quantifiable competency-enhancing skills and knowledge, which, in turn, could be transferred to the workplace in order to facilitate the achievement of quantifiable management behaviour change (Dixon, 1983; Dixon & Campbell, 1985; Campbell & Dixon 1990). Competency-based middle management development thus required the design, delivery, assessment and certification of learning outcomes to be related directly and overtly to the identified and demonstrated attainment of specific middle management competencies.

The management development process adopted within the APS in the early 1990s embraced post-experience tertiary public management education. The Public Service Commission (PSC) developed a generic public middle-management education program, while the following APS agencies incorporated tailored tertiary education programs into their middle management development programs: Administrative Services; Defence; Employment, Education and Training; Primary Industries and Energy; and Social Security. This was broadly expected to produce
managers who are flexible, open-minded, self-directed, creative and with a sense of autonomy and responsibility. The emergence of a demand for competency-based, post-experience, academically-accredited, public middle-management education programs in the early 1990s challenged the tertiary institutional suppliers of such programs to design and deliver programs that were able to satisfy identified knowledge and skills requirements and that could be assessed in terms of their demonstrated impact on identified middle management competencies, expressed in behavioural terms. This enabled the APS to take advantage of the willingness and ability of at least some universities and Technical and Further Education (TAFE) institutions to offer the APS fee-paying, part-time, even on-site, educational programs in management or management-related fields, academically accredited at the post-graduate (Graduate Certificate, Graduate Diploma or Masters degrees (notably Master of Business Administration rather than Master of Public Administration (Carroll, 1991)) or sub-degree (Certificate or Diploma) level, and tailored, to varying degrees, to meet the learning needs and preferences of extant APS middle managers.

Public management education can be oriented to management performance by being person-focused, job-focused or role-focused, which brings to the forefront the issue of the purpose of learning. Six hierarchical conceptualisations of learning can be identified (Marton, Dall'Alba & Beaty, 1993; Saijo, 1979):

Conception 1: learning as quantitatively increasing knowledge;

Conception 2: learning as memorising and reproducing knowledge;
Conception 3: learning as acquiring facts and procedures that can be retained and/or applied in practice;

Conception 4: learning as abstracting meaning;

Conception 5: learning as understanding reality by means of an interpretive process; and

Conception 6: learning as changing a person.

As academics, traditionally, have tended to place more emphasis on Conceptions 1, 4 and 5, with Conception 3 being relevant most notably to professional education, management educators, by inclination, link "education" to the "person" by looking at management educating, through academic eyes, as a means of improving the person through the transmission and exploration of knowledge. Human resource development practitioners, by inclination, have tended to focus on Conceptions 3 and 6, and link "education" to "job" by looking at management education, through training eyes, as a means of improving job performance. Management education, however, can also be oriented to management performance by being role-focused, which is potentially common ground.

By focusing on the underlying abilities and attributes required to perform generic managerial functions, management education can be focused on what public managers need:

- to know about public management (their knowledge-based learning needs);
• to know in order to be judged competent managers in their specific environment (their competency-based learning needs);

• to be able to do to be competent managers in their specific environment (their behaviour-change learning needs); and even

• to be able to embrace the particular attitudes and values required to be competent managers within their specific environment (their perspective transformation learning needs).

The precise nature of all these learning dimensions, however, depends very much on how the public manager’s managerial and policy development functions are viewed, within the context set by the prevailing regulatory and accountability regimes. It must thus be acknowledged, as Hagen (1991: 182), an architect of the APS’s competency-based public middle-management education thrust, has observed:

... it is critical to the future of the the public sector that individuals and organisations become flexible and creative agents of change. If managers are to capitalise on the opportunities [generated by the enormous change in the public sector in the 1980s] and manage the potentially negative aspects of changing work environments, they must develop the capacity for creative and proactive thinking, going beyond established perceptions, assumptions and expectations.

Effective public management in the context of radical internal and external environmental changes requires that sophisticated and specialised
knowledge be integrated into effective decisions in relation to extant and, perhaps more importantly, future managerial, organisational and policy issues. To this end public management draws upon various forms of knowledge to justify decisions, which is only possible if competing arguments advanced can be made intelligible by use of commonly understood concepts and if they are assessable by commonly accepted criteria. Forms of knowledge thus not only establish the common understanding of concepts but also provide the means of their assessment (Hirst, 1965). This implies that public management education should introduce post-experience learners to a wide range of relevant forms of knowledge, so as to ensure that they have an understanding of the possible paradigms, concepts and techniques that might be appropriate to their future as well as their contemporary managerial needs. Public management education ought thus to provide for future managerial, organisational and public sector career opportunities by establishing a wide cognitive perspective and a commitment to, and belief in, the importance of increasing understanding, which, as a bi-product, would better enable learners to avoid those "fashions and fantasies" that so concerned Spann (1981).

Effective public management, however, requires more than having relevant knowledge; it requires the ability to exercise reason and sound judgment. Thus public management education ought to develop the learners' insights and provide them with perspectives and techniques that enhancing their ability:

- to make high quality effective decisions directed towards specific organisational goals, within a realistic time and cost framework, on the basis of the best possible evidence, using
the most appropriate decision methods and criteria, which may involve:

- scientific analysis, where the empirical data permits;

- reasoned logical argument between participating decision-makers, where empirical data is not available; or

- intuition and judgment, where neither scientific evidence nor the opportunity for logical argument are available;

- to solicit the arguments offered by others who, given the opportunity, may be able to contribute significantly to a particular decision, by being able to judge when to use different styles of communication (expressive, signalling, descriptive, prescriptive, and argumentative) in particular circumstances (Spillane, 1994);

- to incorporate into a decision calculus the arguments offered by others, which implies the ability to respect their capacity to contribute to a decision-making process; and

- exercise sound judgment, when decisions must be made prior to the collation of all relevant data, with a commitment to truth (implicit in which is the willingness to adopt an ethical stance when making judgments, in accordance with any recognised code of ethical conduct, that resolve moral ambiguities even when such a stance may appear to be so esoteric and so qualitative in nature that it lacks a substantive relation to performance), recognising
that certain decisions, though made with integrity at the time, can become invalid due to the acquisition of further information, requiring a willingness to alter that decision, without regret, simply because the manager is committed to making the right decisions in the altered circumstances, which, in turn, requires the capacity to accept that the mere ascension to a management role does not ipso facto bestow all-knowing wisdom.

Effective public management, above all, involves the addressing of dilemmatic and paradoxical competing claims. Thus public management education ought to help learners enhance their ability to identify and address ethical dimensions of management decisions and actions, by requiring them:

- to consider, critically, ethical values and value systems (Bowman, 1991; Dwivedi & Engelbert, 1981; Musser & Orke, 1992; Worthley, 1981);

- to engage in values clarification activities (Lee & Paddock, 1992), perhaps involving (Gilman, 1989; Sims, 1991):
  - breaking down ethical issues into manageable sub-issues;
  - developing contrasting ethical perspectives and arguments;
  - placing ethical issues into a context defined by broader ethical categories; and
  - engaging in relativistic ethical reasoning;
• to accept responsibility for reviewing and questioning their own ethical values that underpin specific perceptions, meanings, behaviours and habits; and

• to inculcate, as necessary, appropriate new ethical attitudes into their cognitive processes.

Public middle-management education clearly must thus go beyond established assumptions and expectations, by being more innovative and more challenging. If it is to to be relevant to the needs of the post-reform APS, it will have to address the following central elements of effective public management:

• an critical awareness of the practice of management in public agencies;

• the skills needed to manage a diverse array of public resources (including political power);

• an appreciation of the political and ethical foundations of “publicness”; and

• the wisdom to draw reasoned and considered conclusions or inferences.

Public managers need all these elements to achieve both performance enhancement and personal development. The question is, of course, how this can be facilitated through a learning process.

The art and science of helping adults learn (andragogy) is, according to Knowles (1983: 55; also 1970, 1973, 1975; but also Feuer & Geber, 1988), who is considered by many to be the “father of adult learning” (Bell, 1989: 38), premised on four propositions about adult learners:
that they are a self-directed (as distinct from dependant) human being;

that they have a reservoir of life experience that can be used as a learning resource;

that they are concerned to use learning to develop their social roles; and

that they have a desire for immediacy of learning application.

The teaching implication of andragogy is that a teaching orientation which stresses "learning facilitation" (with an emphasis on problem solving, interactive and facilitative teaching, pastoral interest and learner motivation) is more appropriate for adult learners than one that stresses "knowledge transfer" (with an emphasis on imparting information and subject knowledge), which requires, according to Knowles (1983; 1970; 1973; 1975; also Gow & Kember, 1993; Shaw, 1982; Stuart, 1988):

that the learning environment (both physical and psychological) must acknowledge and support a "spirit of mutuality" (Knowles, 1983: 57) between teachers and learners (also Sappington, 1984; Stephenson, 1983);

that learners must become involved in:

- a process of "self-diagnosis of needs for learning" (Knowles, 1983: 58; also Stephenson, 1983) in order:
  - to construct a model of the learning outcomes desired;
• to provide diagnostic experiences that allow their learning gaps to be conceptualised; and

• to facilitate the measuring of their identified learning gaps; and

• the planning of a learning process that seeks to change, shape or control behaviour, expectations, outlooks or thought processes or to provide insights (also Smith, 1983);

• that the learning process must be one:

  • that treats the "learning-teaching transaction as the mutual responsibility of learners and teacher" (Knowles, 1983: 59);

  • that acknowledges, assesses (also Evans, 1989) and builds upon the volume and kind of life experience gained by learners (also Stephenson, 1983);

  • that minimises the fear of learners losing ego and self-esteem that can accompany learning, the sources of which include interpersonal relationships, evaluation of learning outcomes and self-concepts (also Sappington, 1984; Zemke & Zemke, 1988), so vividly described by Castaneda's (1968: 326) wise man, Don Juan:

    A man goes to knowledge . . . as he goes to war, wide awake with fear. . . . He slowly begins to learn - bit by bit at first, then big chunks. His
thoughts soon clash. What he learns is never what he pictured, or imagined, and so he begins to be afraid. . . . Every step of learning is a new task, and the fear begins to mount. . . . Fear! A terrible enemy - treacherous and difficult to overcome.

• that emphasises:
  • experiential learning techniques;
  • practical applications;
  • learning how to learn; and
  • how to accept responsibility for learning; and

• that learning evaluation must involve a process of critical self-evaluation (also Stephenson, 1983).

In essence, post-experience public management education:

• must contain an evident logic, which is the articulated means of accomplishing stated learning goals to which learners can relate, so as to enhance learning relevance;

• must overcome barriers to learning, so as to improve learning effectiveness, notably (Lozanov, 1978):

  • the critical-logical barrier, which rejects everything that does not appear to have a logical motivation;
• the intuitive-effective anti-suggestive barrier, which rejects everything that fails to create a sense of confidence and security; and

• the ethical barrier, which rejects anything that contradicts the learners' values and beliefs;

• must impart knowledge of relevant paradigms, concepts and techniques, as well as wider cognitive perspectives, in a way:

• that addresses Denhardt's proposition that educating managers necessarily involves the dynamic tensions between "task", "experience", "process" and "generalisation", with initial learner interest being focused on "task" and "experience", but with learning that interest shifts towards "process" and ultimately the greater use of "generalisation", both logically and intuitively, the outcome of which is a clearer perception of "task" (see Discussion following Colebatch & Larmour, 1991);

• that enables learners to gain insight into how to manipulate, integrate and apply the knowledge, and experience gained from using it, to address practical managerial, organisational and policy problems or issues, by better marshalling and ordering complexity, so as to make the learning more relevant to individual learners and the learning process more effective; and
• that ensures retention, so as to enhance learning effectiveness;

• must enable learners to learn how to learn by becoming more skilled in learning techniques (reading, writing, listening (Stivers, 1994) and study skills) (Smith, 1983: 19) and conceptualising their own learning processes (Brundage & MacKeracher, 1980: 30), so as to make learners more effective at problem solving and, ultimately, more autonomous and more self-directed (Smith & Haverkamp, 1977), by being able (Denhardt, 1990):

• to diagnose their personal learning needs;

• to identify appropriate strategies and resources to meet those needs; and

• to collect and validate evidence of learning need satisfaction; and thus

• must involve an interactive, problem-based learning process, one which attaches more importance on the development of the individual than on the construction of knowledge by being more focussed (Bunning, 1992a):

• on the enduring learning process skills than on transient content knowledge;

• on managerial, organisational and policy diagnostic skills predicated on the proposition that the world is probabalistic and indeterminate with multiple and interactive variables, than on mathematical model
building skills premised on rational decision-making predicated on a deterministic world view (McGowan, 1987)); and

- on action and experiential learning than on the expert transmission of knowledge.

That the adoption of a specific learning orientation by educators impacts upon the learning approaches adopted by learners is now clear (Gow & Kember, 1993; Kember & Gow, 1994; Ramsden & Entwistle 1981; Van Rossum & Schenk, 1984). Specifically, the adoption of "learning facilitation" as the basis for teaching adults promotes what Marton & Saijo (1976) describe as "deep" learning, whereby learners are active and have a concern for the learning’s central point, its whole picture, its essence, its logic and what lies behind it (its context, the validity of its conclusions and its points of uncertainty (Jaques, 1984: 40)). Such learners are rather less motivated either by a concern merely to complete the course of learning out of a fear of failure, which generates what Marton & Saijo (1976) describe as a "surface" approach to learning, whereby learners are passive with a concern for covering the content, finding the "right" answers, learning verbatim, knowing how much they need to know, and assimilating unaltered pieces of knowledge (Jaques, 1984: 40); or by a desire for high marks in a competitive spirit, which generates what Newble and Entwistle (1986) describe as a "strategic" approach to learning, whereby learners are concerned with knowing only what they need to know to satisfy the assessment requirements at a designated level. The challenge facing both management educators and human resource development practitioners alike is to offer post-experience public middle-management education programs that achieve learning that is applicable and meaningful, that enhances the understanding of reality and that facilitates personal change,
achieved through the development of appropriate curricula and the use of appropriate learning process by which that curricula is delivered (Wooldridge, 1989; Balfour & Marini, 1991). This is an entirely new challenge for both parties, and one that is not without its threats.

Curriculum Content and Design

Curriculum Cognate Areas

Any articulation of the cognate areas that should be included in any post-experience public middle-management education curriculum must, of course, take into account two realities. The first is that there are role differences between middle- and executive level APS public managers. The middle manager is oriented more towards the the operational; the executive manager is oriented more towards the ambivalence of uncertain complexity. The latter requires policy-relevant conceptual, analytical and judgmental abilities, which Uhr (1987a: 20) describes as "political judgment", in order to balance the inevitably conflicting needs and interests of stakeholders in the relevant community of interests. The second reality is that the APS is structurally fragmented and highly differentiated in terms of agency roles (broadly, policy development and co-ordination, budget-funded service delivery and commercialised service delivery) and the co-ordination, implementation control and the accountability mechanisms and regimes in operation, which generates critical differences in what managers do, and how they do it, most notably in relation to financial management, quality assurance, customer service and market management. In terms of public middle-management education, this means that there are significant curricula-differentiating
factors, although APS-wide curriculum commonalities (notably in human resource management), do exist.

**Cognate Areas for Generic APS Middle Management Education.** These emerged in the early 1990s as a result of the Hawke Labor Government initiating a systematic three-year Middle Management Development Program (MMDP), which also involve State and Territorial governments, and which was under the general supervision and co-ordination of a Board of Management (Hagan, 1991). The MMDP was intended to enhance the management competencies of officers in the middle management classifications (the Senior Officer Structure). In the words of the Prime Minister, Mr R. J. Hawke (quoted in Hagen, 1991: 182):

> Our experience in the course of the Federal Government’s reforms of the Australian Public Service suggests that our managers need to be better equipped to manage change in an environment which demands higher productivity through the development in the area of human resource management.

The outcome sought was to enable middle managers not only to implement better the various administrative reforms, but also to gain greater employment mobility within the APS, in a context dominated by the need to address the promotion bottleneck at this feeder level to the SES, caused by the relatively young age profile of the SES officers, which was considered likely to threaten motivation and morale and, ultimately, to increase staff turnover. The integral parts of the MMDP were:

- the provision of specific-program funding for middle management-relevant skills-development activities
(including accredited management education programs) undertaken for APS agencies, especially activities targeting the Regional Directors' Networks in each State and the Northern Territory; and

• a joint-venture project with State and Territory governments to develop an accredited Public Sector Management (PSM) Course.

The intention of PSM Course is to offer "a state-of-the-art accredited program of practical and professional management training, specifically directed to public sector middle managers" (Hagan, 1991: 182). Its development, achieved by drawing upon the wisdom of experts, and conduct, by means of contracting out after competitive tendering, was oversighed by a Management Board, with senior representatives from personnel agencies in the states and the Northern Territory, from higher education and from the Australian Council of Trade Unions (Hagan, 1991). The PSC undertook the negotiations for the course, assisted by a project team also comprising seconded officers from the states and the Northern Territory. The University of Wollongong won a tender to write the draft curriculum and learning materials, which were trialed and extensively evaluated in five states in 1991. A project team from the APS, the New South Wales Public Service and the University of Wollongong used this unpublished evaluation and expert feedback to revise the curricula and learning materials in early 1992. The Board of Management then negotiated accreditation for the PSM Course at the Graduate Certificate level with Griffith University, through its Centre of Australian Public Sector Management. It was initially expected that some 30 courses would be conducted for 600 participants throughout Australia, delivered on either
a residential or non-residential basis. The first PSM Course was conducted in Canberra in June 1992.

Out of the MMDP's PSM Course initiative emerged a public middle-management education curricula that promised to enhanced the articulated generic APS middle management (Senior Officer Structure) core competencies (see Appendix 6.2 above) by defining a set of curriculum cognate areas on the basis of a specific management development conceptualisation of the articulated APS middle management competencies (see Appendix 7.1):

- understanding the environment;
- strategic management;
- program delivery;
- managing change;
- managing people;
- understanding a human resource management framework; and
- personal effectiveness.

These perceived APS middle management development dimensions provides the PSM Course with its key focuses (see Appendix 7.2):

- managing service and program delivery;
- professional identity, leadership and change;
- financial, resource and people management.
The PSM Course's specific learning outcomes and curriculum (detailed in Appendix 7.2) were designed after extensive "audience analysis" and place a strong emphasis on the changing public sector environment, the implementation of administrative reforms and thus the managing of change (Hagan, 1991: 183). In accordance with prime ministerial expectations, the PSM Course has a strong orientation towards public sector human resource management. Indeed, its learning objectives and curricula are more tightly prescriptive in the curriculum areas impinging on human resource management than in other curriculum areas, most notably financial and physical resource management and information and technology management. This orientation towards human resource management has subsequently been identified by the MAB-MIAC Task Force on Management Improvement as the most appropriate one, as human resource management is the reform domain that, in its view, should be given the greatest priority over the next three years (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 206). The PSM Course thus addresses one of the most significant APS-wide management development commonalities - improving human resource management competencies - and places it into the broader context of resource management, client servicing, ethical conduct and public accountability. It thus addresses the educational needs of public managers in policy departments and in non-commercial service-delivery department. It does so, however, at the expense of largely ignoring the critical differences in the roles of middle managers in commercialising service-delivery department (especially in relation to entrepreneurship, financial management, accountability, quality assurance and customer service and market management).
Cognitive Areas for Commercialised APS Middle Management Education. Emerging from the APS commercialisation agenda, in the context defined by the articulated generic middle management competencies, Appendix 7.3 offers some challenging and interesting points of departure for consensus-seeking stakeholder-designers of post-experience public middle-management education programs targeting commercialising agencies. This cognitive map provides a taxonomy of public management education agendas relevant to the middle management development needs generated specifically by commercialisation. It differentiates the learning needs of middle managers in agencies that are at the exploratory, planning and implementation stages of commercialisation:

- at the exploratory phase, the learning focus is on legal forms, accounting practices, personnel practices, structural and organisational review processes, and accountability and community service obligation issues;

- at the implementation planning phase, the learning focus is on strategic planning, organisational development processes, marketing, service production, operating system design and financial management; and

- at the implementation of commercialisation phase, the learning focus is on strategic management, management style, behaviour modification, customer service and quality assurance, and the installation of operating systems.

This offers a smorgasbord of curricula offerings from which a learning experience can be designed that meets the idiosyncratic management development needs of middle managers in commercialising agencies.
The Department of Administrative Services (DAS), as the first APS agency to move well into the implementation phase of commercialisation, has designed a middle management development program that focuses on improving management performance by means of better leadership and better people management. It has been accepted by the Queensland University of Technology, through its School of Social Sciences in its Faculty of Arts, as the basis for a Graduate Certificate in Social Sciences (Communication & Behavioural Change). (Course providers for the skill components come from within DAS, although they must meet agreed quality standards, while course providers for the knowledge components come from the Queensland University of Technology, who must also meet the same agreed quality standards (Personal correspondence with Mr Graham Bashford, Acting Executive General Manager, Business Development, DAS, 22 April 1994). The program’s first intake was in 1994 and the courses were delivered by means of intensive workshops and external study.) This curriculum is premised on the middle manager competencies articulated by DAS (see Appendix 6.3 above), which defines a specific conceptualisation of the dimensions of DAS middle management development (see Appendix 7.4):

- improving business performance;
- improving team performance;
- creating a learning organisation with continuous improvement; and
- improving individual performance.
These perceived DAS middle management development dimensions provided the DAS middle management development course with its key focuses (see Appendix 7.5):

- communications and counselling skills for managers;
- negotiation and conflict resolution;
- coaching processes; and
- group management.

DAS's specific middle management program's learning goals and curriculum (detailed in Appendix 7.5) were designed after extensive consultation with DAS middle and senior management (Personal correspondence with Mr Graham Bashford, Acting Executive General Manager, Business Development, DAS, 22 April 1994) and place a strong emphasis on the improved management of customers and staff, achieved by the adoption of business management behaviours and the enhancement of interpersonal and communication skills. Not surprisingly, DAS has cast its middle managers into the role of managing service delivery processes with a strong customer orientation and with a concern for better problem solving and for improved economy, efficiency and effectiveness. Indeed, the program's learning objectives and curricula are quite prescriptive in this regard. Efforts to enhance market and financial management competencies (see Appendix 6.3 above, especially desired behaviours 1.1-1.3, competency 2.1) are conspicuous by their absence from this program, although, it should be noted, "financial skills and marketing and sales skills skill programs [which are currently not accredited through a tertiary institution] are also available to meet individual needs" (Personal
correspondence with Mr Graham Bashford, Acting Executive General Manager, Business Development, DAS, 22 April 1994).

Cognate Areas for Preparatory Executive Management Education. Public middle-management curriculum should contain paradigms, concepts, techniques and information that are not only immediately relevant to the enhancement of identified competencies, but also prepare middle managers' for entry into the SES, by enhancing their capacity:

- to achieve value congruity,

- by becoming wise about how to manage proactively and ethically, with insight and good judgment, the ambiguities and paradoxes that inevitably are the product of multiple, and often conflicting, policy objectives, fully cognisant of the current and anticipated:
  - policies and procedures of their organisation; and
  - needs and interests of the various stakeholder groups; and

- by being able to frame and interpret appropriately the talk and action that takes place in the “symbolic domain” (Schultz, 1991) defined by ministerial-executive management interactions, so as to be able to determine the sense of political direction and translate it into appropriate action;
• to anticipate and envision the future, while being able to keep the internal rhythm of an organisation synchronised with the pace and tempo of its external environment (especially evolving stakeholder demands, and technological change) (Gulick, 1987; Pullen, 1993);

• to conceptualise public administration as a “public space” (Ventriss, 1994) within which substantive policy discourse and debate may take place before decision-making; and

• to be “a resource for good government, as trained professionals with a responsibility for good government” (Uhr, 1987b: 376).

There is a need to produce APS executive-level managers who have developed all four of Loverd’s (1989) “faces”: “professional face” (concerned with performing tasks that take advantage of their specialised expertise); “bureaucratic face” (concerned with implementing organisational rules are administered impersonally and even-handedly); “political face” (concerned with seeking and securing power to perform tasks); and “organisational face” (concerned with integrating constituent elements of an organisation). The professional and bureaucratic faces are more the domain of middle management, where organisational participation is at what Rashfrord and Coghlan (1988) call the “individual” and “face-to-face team” levels. The political and organisational faces are more the domain of executive management, where organisational participation is at what Rashfrord and Coghlan (1988) call the “divisional” and “organisational policy or strategy” levels. To produce well-equipped executive-level managers of public resources that include political power, necessitates the need for an eclectic public middle-management education curriculum that transcends the

Chapman (1987: 360) differentiates amongst public management, public policy and public administration, along a training-education spectrum. Public management, which he sees as training, is concerned with goal-oriented instruments that focus on the practice of management and on the efficient and effective use of resources, within the context of the political and ethical foundations of governance (Cox, 1990). The outcome sought is to enhance public servants’ “management skills” needed for what Parker (1989b: 342) describes as the “mobilising and co-ordinating of resources to carry out accepted policy.” The result of which is the creation of Uhr’s (1987a: 25) “managerialised executive”, the archetypal mobile administrative generalist, the business-like responsive policy implementor who can manage almost any public activity. Public management is inclined to draw upon both management and administrative theory and to use the techniques developed by economics, decision science and operations research. At the other polar point lies public administration, which Chapman sees as education, which has a interdisciplinary orientation towards the administration of public affairs. This is not the place to ruminate on the past and future of public administration as a “field of study” (see, for example, ; Caiden, 1975; Spann, 1975a & 1975b) or its
"normative coherency" (Ventriss, 1991), but it is appropriate to identify that its foci is the machinery of government, governmental processes and responsible government. Its concern is with values (equity), politics (linkages, functions and perceptions) and political theory (governance). The outcome sought is to enhance public servants' "professional skills" (Hughes, 1986), perhaps as distinct from "practitioner skills" (Weimer, 1992a), the result of which is a move towards the creation of Uhr's (1987b: 375) "forthright advisers on the profession of government", who is capable of persuasive "administrative argument" (Hood & Jackson, 1994). Between these polar extremes Chapman places public policy, which gives authority and legitimacy to public administration (Reynolds, 1993a). It has a concern for patterns of interaction. Its dual foci are process (political, institutional and systemic) and analysis (decisions, cybernetics and rationality). The outcome sought is to enhance the public servants' "policy skills" (Uhr, 1987a: 20-1), the result of which is the enhancement their "policy-advising" role (Parker, 1989b: 342). The prepared APS executive manager is well versed in all three domains.

Post-experience public middle-management education must thus embrace the domains of public management, public policy and public administration if it is to prepare public middle managers' for executive functions and responsibilities, which places it between two proverbial stools; neither just management nor just public affairs (see, for example, Woolbridge, 1987). The twain must meet; the questions of interest to all public management education stakeholders is where and how (Rizzo, 1987)? The thoughtful will empathise with Wettenhall's (1986a: 126) call for more emphasis on educating for the "judgmental components" of the APS executive management function. Few rationalists, however, would find solace in Chapman's (1987: 369) conjecture on how that might be done:
... those who are expected to become part of, say the Senior Executive Service, should be exposed to good books and good music or any other study to enhance their capacity for wise judgment, just before admission to its ranks.

Yet, it may well be argued that society would be well served if its public servants were given a well facilitated program of post-experience public management education with a liberal arts flair: one that integrates the practical with the ideal; the immediately useful with the contextual; and the sciences with the arts (Martin, 1993; Ventriss, 1994). This could be achieved by judiciously including in the curriculum history and philosophy (which Francis Bacon (1972 [1597]: 151) considered, long ago, made men “wise, deep, grave and able to contend”) as well as politics, classics and literature - the works of Percy Bysshe Shelley, Nelson Goodman, Homer and Sophocles have been recommended for such purposes (Kramer, 1992; Marini, 1992b). This educational orientation would develop the learners’ critical-thinking skills (Hanfling, 1993), which would help them (Adams, 1992 & 1993; Dobel, 1992; Marini, 1992a; Perez, 1993; White, 1992; Yanow, 1992):

- to manage better organisational change, by being better able to manage organisational culture, because they would be able to conceptualise and critically review organisational assumptions, myths, symbols, metaphors, ceremonies, rituals and stories (Hummel, 1990 & 1991), and because they would be able to consider public administration diachronically not just synchronically;

- to manage better dilemmatic and paradoxical competing claims with more ethical insight and foresight, because they
would be able to draw upon their exposure to the nuances of public ethics; and

- to manage better situations that are beyond the scope of rational analysis (perhaps because of their complexity, their emotional basis, their indeterminacy or their unpredictability), because they would be able to draw upon their exposure to meta-problem analysis using their a-rational (as distinct from irrational or unreasonable) sentient (intuitive) abilities.

Curriculum Design Process

The wisdom of experts can be distilled to identify a consensus view on what general cognate areas of learning should be included in a post-experience public middle-management curriculum and to determine the rank ordering of their relative importance. But the selection, from amongst this prioritised curriculum agenda, of a specific curriculum configuration that optimises, within the constraints of limited time and other available resources, individual learning outcomes, requires the building a consensus amongst the stakeholders (public human resource development professionals, public management education experts, individual post-experience learners and public agency executive managers) as to what those learning outcome should be. This curriculum selection process is particularly important because public management, as multifaceted as an area of learning, lacks both a unified intellectual structure and a generally agreed curriculum selection methodologies; and because curriculum content and reality can quickly become incongruous, because of the speed of change in the public management environment, particularly
those brought about by the impact of technological changes, and because of the increasingly rapid expansion of knowledge relevant to public management.

Dearden (1968) advances the proposition that individual post-experience learners' curriculum choice, within an agreed curriculum structure, should not be constrained, in order to avoid a situation in which they are told what to believe and what to do, and so potentially inhibit any special abilities that they may have. This learner-centred approach to curriculum design emphasises that public management education is not involved with a single discipline nor even with a family of disciplines, as is, for example, the social sciences, but rather with that array of practical techniques and frameworks and theoretical paradigms and concepts, all of which have some relevance to public management. Arguably, one of the central objectives in designing a post-experience public middle-management curriculum is to establish practical principles conductive to raising standards of achievement-directed performance of individual learners.

Moreover, in developing a better understanding of public management, actions and concerns may be legitimate even without reference to specific competencies or behavioural outcomes. This means that individual learning needs can and should guide curriculum selection. Those responsible for providing management learning should thus seek to create a situation where individual post-experience learners have freedom of choice. This presupposes, of course, that both relevance and learning are central values of those responsible for providing management education. The exercising of rational choice by post-experience learners presupposes, however, that they have a significant degree of personal autonomy, based on their reasonability and on them having a well grounded understanding
of what limits constrain their freedom of action. This then leads, in turn, to the question as to what forms of understanding are necessary for rational choice. Put simply, if post-experience learners do not know enough to know what they need to know (their knowledge-based learning needs), what they need to know how to do (their competency-based learning needs), what they need to be able to do (their behaviour-change learning needs) and even what attitudes and values they need to consider embracing (their perspective transformation learning needs), they may not be in a position to judge the learning alternatives they are confronted with, and so they may not be able to make the best possible learning-choice decisions.

The difficulty for the post-experience learner is to prioritise their public management learning needs in terms of not only the wide array of management techniques, concepts and paradigms available but also the the vast array of contextual paradigms and concepts that validly impact on public management practice. Clearly, many disciplines, to varying degrees, can influence a public manager's future performance. Each could be regarded as a life-time study. Many specific disciplines, however, belong to areas of knowing that Hirst (1965) called "forms of knowledge", which can be equated with the assemblage of information that is learnt and can be put to some use. Further, knowledge requires some assurance as to its defensibility. Post-experience learners need to be sufficiently prepared to form some sense of the reasonableness and appropriateness of what they wish to learn. Preparing them for these learning choices is a challenge that needs to be addressed by public management education experts, public human resource development professionals and public agency executive managers.
Learning Process Design

The primary theoretical base for construing student learning, tertiary teaching and staff development has become in recent years the "student approaches to learning" framework (Biggs, 1987 & 1993; Ramsden, 1992), according to which the student is the one who constructs meaning, not the teacher who imparts it. In this setting, a measure of the value of the learning experience gained from a post-experience public management education program is whether the learners can demonstrate:

- an understanding of the paradigms, concepts, techniques and information they have learnt;
- an ability to generalise about their possible fields of application;
- an ability to apply them to solve practical workplace problems;
- a spirit of inquiry that prompts them to ask and to discover important questions and problems;
- the necessary self-understanding (of specific perceptions, meanings, behaviours and habits) to attain the critically awareness (in terms of both discriminant and judgmental reflectivity) needed to achieve relevant perspective transformation; and
- the ability to update their learning.

This means that the learning process embodied in the public management education program must not only transmit a substantial body of knowledge (paradigms, concepts, techniques and information) but also give the
learners an opportunity to gain insights from that knowledge, the ability use it to solve practical workplace problems, and the ability to up-date it, for any knowledge acquired is likely to become quickly out-of-date, because of the speed of the change in the organisational, social and economic environments, particularly those brought about by the impact of technological change. Such a management learning process creates managers who are able to find out for themselves what they need to know to perform their job; managers who have the insight to recognise that they need to become life-long learners and the skills to do so (Verduin et al., 1986).

The importance of developing life-long learners is recognised within the APS, especially with respect to managers with commercial responsibilities (Richards, 1991b). Given the rapid expansion of relevant knowledge, public managers need to be able to find out for themselves what they need to know to be more efficient and and more effective. They also need to become creative and strategic learners who have developed "pathfinding" skills: envisioning their own future; clear and strong personal values; and determination (Leavitt, 1986). Such public managers need, are attracted to, and will use, a wide variety of more active, problem-centred learning strategies that make up a learner-centred learning process, one that is perceived to be relevant to their learning needs, and in accord with their preferred learning style (Smith, 1983: ch 3; Stuart, 1992; White, 1992), which is the product of the interaction of the their genetic make-up with their environment (Hayes & Allinson, 1988).

The problem-based, learner-centred approach to learning is predicated on the assumption that "problem-solving and learning are essentially the same psychological processes" (Bawden et al., 1984: 205). This approach to learning presumes that adult learners are active, innovative, resourceful
and creative people who seek out learning before, during and after a life-changing event (or during a transition stage) in the adult life-cycle (Schott, 1986; Winn & Rice, 1993), which leaves them feeling the need "to learn", whilst trying to understand, and take action to adapt to, the new experience or situation in which they find themselves (Boud, 1981; Cookson, 1994; Cross, 1981; Henry & Basile, 1994; Knowles, 1970, 1973 & 1975; Macadam & Bawden, 1986; Marienau & Chickering, 1982; Smith, 1983).

The problem-based, learner-centred approach to learning takes as axiomatic that individual adult learners have distinctive learning needs and goals (Marienau & Chickering, 1982), which relate less to the learning *per se* and more to its application (such as to enhance skills and/or knowledge or to increase self-esteem). Thus they prefer learning that is realistic and involves practical applications that relate directly to their specific needs (Knox, 1980). They also like new learning to be integrated into their existing learning.

The problem-based, learner-centred approach to learning also takes as axiomatic that everyone learns differently. Individuals learn differently at different times in their lives (Marienau & Chickering, 1982). They also differ in the speed at which they learn. They differ, moreover, in the manner in which they improve their own ability to learn and to develop new attitudes and beliefs (Charles, 1980). Indeed, adult learners like to be self-directed, in the sense of participating actively in, and having some control over, their learning process (Shaw, 1982), for they come to a learning experience with a portfolio of life and work experience and can make an important contribution to their own (and to other's) learning by drawing from that portfolio (Boud, 1981). Their learning is thus more effective when they are actively involved in learning experiences rather
than being passive listeners receiving information or observers of skill demonstrations (Bawden et al., 1984; Boud, 1981; Dev, 1990).

Adult learners learn more effectively when fulfilling self-determined objectives rather than objectives set by others (Bawden et al., 1984; Macadam & Bawden, 1986). Learning thus becomes primarily the responsibility of the learner not the educator. In this setting, the educator’s role becomes one of encouraging individual learners to assume as much responsibility as possible for identifying, and fulfilling their own learning goals, and of ensuring that the initial learning objectives are clearly stated and the context to which they refer is adequately defined, so that learning outcomes can be more easily achieved and more readily assessable (Boud, 1981), preferably through self-assessment (Bawden et al., 1984; Boud, 1981).

In essence, a post-experience public management education program that is problem-based and learner-centred generates learning that is more meaningful to individual learners, because it has more relevance to their learning needs, because it uses a learning process that is more acceptable to them and because it involves a more active style of learning.

Learner-centred Learning

This approach to learning requires the learning to focus on the needs and goals of individual learners. It acknowledges that different learners undertake different learning activities in a different sequence, depending on their learning needs. This requires educators to become learning facilitators who are able to help learners to (Boydell, 1976):

- identify their learning goals;
identify, generate and select the required learning resources;

- create a climate of openness, acceptance, respect and mutual support; and

- gain insights from what they are doing.

It is a learning approach that is an extension of Gestalt insight (Mezirow, 1981). It creates a situation where learners must confront a learning issue by becoming critically aware of how and why their psychocultural assumptions have come to constrain the way they see the issue, and then identify how they can best address it, by interacting with their memory and by restructuring their on-going experience; that is by engaging in learning. This requires a supportive and safe learning climate, which is an important ingredient of a learner-centred learning process (Sims, 1992). Fraser (1986) found that learners, and, indeed, learning facilitators, both preferred to have a significantly more positive psychological environment within which the learning took place, one that is more personalised, more involved, more learner cohesive, more satisfying, more task oriented, more innovative, and thus more individualised (also Miall, 1989).

Evaluation, within the context of a learner-centred learning process, is designed to measure the extent to which the articulated agreed learning goals have been met by the learning.

**Autonomous (Self-directed) Learning** Autonomous learning involves a self-motivating and self-managing learning process used by adults to learn, change and improve (Brookfield, 1984; DeJoy & DeJoy, 1987; Griffin, 1979; Harrison, 1977; Smith, 1983). It requires individual learners to take the initiative, with or without the help of others, to acquire knowledge or skills
(Knowles, 1975). They thus exercises control over, and accept responsibility for, choosing both the goals and the methods of learning, which may be formal or experiential.

Boydell (1976: 38) argues that autonomous learning adds an important dimension to learner-centred learning by stressing the importance of restructuring perceptions about learning; that is learning how to learn. Using experience as a source of learning requires learners to be able to extract and interpret meaning from an experience, which, according to Logan and Stuart (1987), requires them to be self-defined and knowing of themselves, which is achieved by them becoming sensitive observers of their own feeling, thoughts and behaviours; to operate in reality; and to accept self-responsibility.

Formal autonomous learning strategies can also be used by autonomous learners, which include programmed instruction (Foster, 1985) and computer-based instruction (Carrier, 1987; Diehl, 1992). The development of interactive video, using videodisc technology, gives them random access to data and thus control over the learning sequence, which permits the integration of resource and presentational material and which gives immediate feedback and interactivity (Davenport & Cronin, 1991; Jones, 1987).

Autonomous learning can be incorporated into post-experience public management education program by means of learning contracts, which articulate learning goals and objectives, the envisaged learning strategic, and the agreed basis for assessing goal achievement (Bennett & Field, 1988; Smith, 1983: appendix F). These have to designed and executed within a supportive learning environment, where trust has developed between individual learners and the learning facilitator, and where uncertainties
and concerns about self-directed learning have been resolved (Knowles, 1989).

Problem-based Learning

This is an approach to learning where:

- the problem is encountered first in the learning sequence, before any learning has occurred;

- the problem to be tackled is thus identified by individual learners, and represents their reality;

- learners addresses their problems in a manner that requires a reasoned application of knowledge and skills and that allows extant assumptions, values and attitudes to be challenged, evaluated and re-formulated in a way appropriate to their individual learning needs;

- learners identify their learning needs in the process of working with their problems which become part of collective learning needs;

- learners apply the skills and knowledge acquired to their problems, so evaluating the effectiveness of this learning and enhancing its reinforcement; and thus

- the learning that has occurred is integrated into individual learners' existing array of knowledge, skills, values and attitudes.
A variety of outcomes from a problem-based approach have been reported. Wolfe and Byrne (1980) found that a group of American graduate management education students who followed a more problem-based program achieved grades that were as good, as if not better than, those achieved by students following a more conventional program. The former group of students, more importantly, also showed increased motivation, exhibited proactive behaviour, a more ready acceptance of responsibility, had better oral communication and listening skills, were more sensitivity, had better persuasion skills, and took more initiatives and risks. Wolfe and Byrne (1980) attribute these results to the use the problem-based approach, which, they argued, allows students to establish for themselves what they needed to know in order to fulfil a learning objective or solve a learning problem. This, in turn, provided them with a strong motivation to search their environment for the information they considered necessary to fill these needs. The learning derived from this situation, they argued, thus held more significance for individual students than if the information was acquired in more conventional ways. Schmidt et al. (1987) reported, after reviewing 15 studies, that students undertaking a problem-based approach believe that their learning environment was definitively more flexible and meaningful, because it encouraged more student interaction, and provided a better emotional climate than did a conventional learning environments. They also found that while students engaged in problem-based learning were marginally lower in their academic achievements, their work competence was significantly higher. These broad conclusions support those drawn by Vilkinas and Cartan (1989). This data suggest that if post-experience public middle-management education is to provide learners with the skills, knowledge and attitudes required to be effective public manager, it is essential that they be exposed to a problem-based learning process. As Macadam and Bawden (1986) argue there is a need for
competency based tertiary education and a problem-based approach helps to achieve this (also Cawley, 1989).

In a post-experience public middle-management education program that is designed using problem-based learning principles, learners will be motivated more by an interest in the subject matter and/or by its vocational relevance, which generates a deep approach to learning. Under problem-based learning process, learners are encouraged to reach understanding rather than just to fulfil assessment requirements or to be academically successful by whatever means necessary. Such learners thus not only have a more in-depth understanding of what they have learnt but also have the ability to apply their learnings to a workplace problem, rather than merely possess knowledge with a superficial level of understanding (surface learning) or, perhaps even worse, with the minimum level of understanding necessary to meet assessment requirements (strategic learning), which may in some instances call for only short-term memory recall skills.

Learners exposed to problem-based learning are likely to become capable and versatile life-long learners, because they are able to use a logical, step-by-step approach to learning, with a cautious acceptance of generalisations only when based on sound evidence; and because they are able to focus on the outline of ideas and explore their inter-connections (Newble & Entwistle, 1986).

Case-study Method. This is a learning strategy subsumed under the rubric of problem-based learning. It can be used to facilitate an understanding of relevant and pertinent managerial and/or organisational issues (Zieden, 1981). Two broad types of cases can be identified; “concept” cases (which
focus on managerial or organisational concepts) and "legal" cases (which focus on politico-administrative disputes within the closed institutional setting defined by the rule-making process) (Guess, 1990). Moreover, on the basis of structure and application, cases can be problem-solving (tightly structured and technical in form), problem or opportunity-identifying (more discursive); or ground-breaking (exploratory) (Dittenhofer, 1992). The power of a well-structured case study can create a virtual reality for individual learners, one that reflects the organisational realities in which they operate, including the challenges and issues faced on a day-to-day basis (Dyer & Wilkins, 1991; Eisenhardt, 1991; Tribe & Tribe, 1987). Indeed, it can even be a "live case" involving an actual organisation (Hackshaw & Robertshaw, 1988). The design of a case study involves (Inguagiato, 1993):

- identifying a case goal;
- establishing a case objective;
- collecting general background information;
- characterising each case-study actor; and
- depicting the organisational culture.

In the public sector context, Hughes (1986: 109) observes: "The case study method can provide valuable insight into the actual problems faced by public managers." It offers participants an opportunity to deal with concrete issues and problems and to share views on how best to deal with them. Thus, there is a sharing of experience, an exposure to the questions and the opportunity to develop habits of mind that are particularly relevant to management tasks and actions. The appropriateness of this learning methodology for public management education, however, depends crucially on the availability of relevant case studies that facilitate
the analysis of realistic problems that acknowledge the complexities of public management and policy decision making.

Experiential Learning

Boud (1981: 16) has defined experiential learning as "... any form of learning which places the experience of learners as central and uses this as the organising principle for learning." McKenzie (1980: 1) describes it as "the critically reflective living through a situation." This is achieved by adopting a phenomenological approach, which makes individual learners conscious of the importance of their own experiential knowledge-building, and which stresses that the understanding (or meaning) they assign to a experience depend on their own perceptions, which are relative and dependent on their own goals, self-image, feelings and emotions (Harmon, 1990; Diamond, 1990). Learners thus need to be able to restructure or reframe their experiential perceptions in order to gain learning (the insights derived from experience) and, in the process, gain insights about themselves. Thus individual learners must be able to identify their own learning goals and to consider everything they learn in terms of those goals, and their own mental states (Moore, 1983 & 1972; also Holmberg, 1982; Keegan, 1980; Wedemeyer, 1982).

Kolb (1976) offers a a four stage experiential learning cycle:

1. Concrete Experience: gaining an immediate concrete experience;

2. Reflective Observation: observing and reflecting upon that experience;
3. Abstract Conceptualisation: assimilating those observations into an hypothesis or theory;

4. Active Experimentation: using that hypothesis or theory to guide action so as to create new experiences.


Boud (1981: 16) argues that an educational program is experienced-based if it rates highly on one or more of the following dimensions:

- the degree of involvement of the individual learners;
- the degree of correspondence between the environment in which the learning takes place and the actual environment which is being represented; and
- the degree of learner control over the learning experience.
To meet these criteria, an educational program also needs to be both problem-based and learner-centred, for a learning experience that is problem-based is not *ipso facto* learner-centred (Boud, 1981).

Organisationally, experiential learning is an effective, in not always painless, way of integrating the abstract, sophisticated and specialised knowledge acquired by learners with their concrete and subjective personal experiences and judgments to derive an effective solution of a managerial or organisational problem (Dev, 1990; Kolb et al., 1986; Olshfski, 1994; Snell 1992a & 1992b).

**Action Learning**

Action learning is integral to a problem-based, experiential learning process that is (Revans, 1982; Trist, 1976):

- outcome rather than input oriented;
- active (focused on learning-by-doing) and on-the-job, rather than passive (focused on listening and observing), whether on or off-the-job;
- oriented towards skilling the learner for life-long learning, rather than merely transmitting knowledge;
- judged with reference to the transfer of learning to the work place, rather than just learning retention; and
- oriented to the creation of an organisational learning culture (to enhance an organisation’s ability to understand the threats and challenges emerging from its environment
and to manage and mobilise resources to meet them), rather than just the development of individual learners *per se*.

Its strategic goal is, according to Bunning (1992b: 7):

to demonstrate a mode of functioning that maximizes learning during the process of taking action in the everyday world and that can become more widely practiced in organizational life generally.

Reflection, analysis and action are at the heart of an action learning process, which involves five stages (Beddowes & Wills, 1993):

1. diagnosing and awareness (initial reflection);
2. resolving and reshaping (planning);
3. experimenting (action);
4. feedback (observation); and
5. integration (further reflection).

**Action Research.** Action research is subsumed as a learning strategy under the rubric of action learning. It has been defined by Bennett and Oliver (1988) as an action learning process whereby research is carried out systematically to define and solve a problem or address an issue (also Lewin, 1946; Rapoport, 1970). It can be focused either on causal descriptions and analyses of a problematic present or on images of a desirable future (Baburoglu & Ravn, 1992). It can use research methodologies that are quantitative (such as survey questionnaires) or interpretive (such as in-
depth interviews or participant/non-participant observations) (Fish, 1990). Robinson (1993: 263) argues that action researchers seek to:

- understand and improve practice;
- enhance the problem-solving capacities of practitioners; and
- advance knowledge.

It is premised on three basic propositions:

- that people learn best by reflecting on practice;
- that the best way to test learning is to put it into action; and
- that the sharing of experience strengthens the learning process.

And involves:

- specifying the issue or problem to be addressed;
- identifying a plan of action;
- implementing the action
- monitoring the effectiveness of that action;
- identifying what has been learned; and
- communicating this learning throughout the workplace.

Action research is concerned with research (systematic information collection and analysis) leading to action (after thoughtful analysis). Information, if it is not available, must be collected and, in any event, collated in a systematic and rigorous manner, so as to facilitate not only
the exploration of the causal relationships but also the perceptions of those concerned (such as who perceives the issue to be a problem and how, what might be done about it, and whether the action would be (or has been) effective). Action research thus combines both rigour and relevance.

In action research, the roles of researcher and practitioner are blended. This dilutes the ideal rigour and objectivity of academic research, for there is no separation of the knower and the known, which is a central tenant of the conventional scientific method (Ledford & Mohrman, 1993; but see Aguinis, 1993). But action research generates significant advantages for the gaining of significant insights into reality; for bringing about change (Golembiewski, 1993; Morgan, 1988; Morgan & Ramirez, 1984), especially social change (Ramirez, 1983); and for solving real, active and relevant managerial and organisational issues (Harrison et al., 1993). Moreover, while conventional academic research develops the researcher’s analytical skill and knowledge, action research fosters “reflective action” (Reason, 1993: 1,253), involving, interactive cycles of action and reflection, conceptualised in Dugan’s (1993) six-phase participatory action research model as: being, thinking, project, encountering, making sense, and communicating. The action researcher thus becomes Schon’s (1983) “reflective practitioner”, who reflects upon action as a means of solving problems encountered in practice (also Schon, 1987) in a way that:

- involves the key actors in an organisation (Israel et al., 1992), perhaps giving them a mentoring role where they can pass on their wisdom and experience to the learner (Henderson, 1985);
permits the learner to confront, in a non-threatening way, fear, which is a major inhibitor of change and creative risk taking; and, by so doing,

contributes to the building of an organisational commitment to action, thereby facilitating organisational change (Clark, 1976; Frohman et al., 1976; Hopfl, 1992; Jenks, 1970; Kiprowski, 1972; Fasmore & Friedlander, 1982).

Action research thus moves individual learners towards higher levels of management performance, because action research is very much concerned with emancipating learners from traditional ways of thinking that impedes their personal development. It also facilitates organisational innovation, by identifying problems that need to be solved or opportunities that can be addressed; by clarifying innovation decision-choices; and/or by planning innovation implementation and/or evaluation (but see Gilmore & Krantz, 1991). By so doing, it also makes a contribution to the stock of managerial and organisational knowledge (Argyris & Schon, 1978; Bunning, 1992b).

Wills (1983) has argued that "action learning" and "learning from experience" are both desirable attributes of a successful management education program.

Outcomes of the Problem-based and Learner-centred Approach to Public Management Education

There are three crucial outcomes produced by this approach to public management education. First, learners emerges as life-long, self-directed learners (Naisbitt & Aburdene, 1986: 133). Because of the emphasis placed on independent, self-directed learning, learners develop an inquisitive,
active style of learning (Boud, 1981; Knowles, 1970, 1973 & 1975). Autonomous learning, in particular, requires learners to take the learning initiative. They thus accept responsibility for, and exercises control over, choosing their own learning goals; for determining what is relevant learning content; and for selecting their preferred methods of learning. Secondly, learners are motivated either by an interest in the subject matter and/or by its vocational relevance and are thus inquisitive (Schmidt et al., 1987). Their desire is to reach understanding. They thus achieve, from the learning process, not only an in-depth understanding of what they have learnt, but also the ability to take initiative and apply their learnings in an organisational setting, rather than merely possessing knowledge with superficial level of understanding (Cross, 1981; Knowles, 1975). Such learners are versatile. Finally, because learners substantially control their learning process it is more flexible and meaningful to them, more encouraging of learner interaction and better able to provide a supportive emotional climate that enables them to address constructively the fears they bring to the learning process and thus empowering them to risk change (Sappington, 1984). Such self-managed learners achieve strategic learning and are think strategically about their own careers.

As managers, strategic learners are able to facilitate strategic organisational learning that enhances organisational performance. They can facilitate the reshaping of the people they manage because they understand, from experience, how tough and searching personal change can be. They are able to improve work performance in the face of inevitable workplace mistakes by seeing them as learning opportunities. They are able to enhance morale and productivity because they understand and appreciate, through experience, the value of individual and group empowerment.
In conclusion, then, the central requirement for cost-effective post-experience public management education has become the adoption of a learning process that imparts quantifiable competency-enhancing skills and knowledge, which, in turn, can be transferred to the workplace in order to facilitate the achievement of quantifiable management behaviour change. The challenge of designing such a learning process can be met by the adoption of a learner-based, problem-centred approach to learning for, rather than about, public management.
Appendix 7.1: Middle Management Development Program's Model of APS Middle Management Development

A. Understanding the Environment

- understanding the political, social, technological and economic factors;
- public sector practices;
- identifying stakeholders;
- legislation and the regulatory framework; and
- industrial framework.

B1. Strategic Management

- strategic planning and operational management;
- aligning organisational strategies and structures; and
- results orientation.

B2. Program Delivery

- human, physical and financial resource management;
- risk management;
- information management;
- client-focused service; and
• evaluation.

B3. Managing Change

• managing the cultural aspects of change;
• communicating and sponsoring change; and
• understanding and using change;

C1. Managing People

• leadership;
• team building;
• human resource development; and
• communication and feedback.

C2. Understanding an HRM Framework

• performance management;
• team building;
• recruitment;
• personnel practices; and
• industrial relations.

D. Personal Effectiveness

• negotiation;
• consultation;
presentation;

Appendix 7.2: 

Middle Management Development Program's Public Sector Management Course: Objectives and Structure

Level of Award Granted: Graduate Certificate

Degree Granting Institution: Griffith University

Duration: One year part time

Mode of Study: Intensive, with work-related project

Entry Requirements: Degree and/or acceptable middle management work experience

Objective Sought: To enhance the existing knowledge and skills of public sector middle managers to improve outcomes in the areas of public sector service, productivity and people management. It is directed towards practical management training and seeks to institute changed behaviour in the workplace.

Stream 1: Managing Service and Program Delivery

Outcomes: Participants will:
• understand and be able to interpret the impact of the internal and external environment on public sector programs, policies and operations; and

• be able to plan, implement and evaluate appropriate policy, service and program delivery strategies to achieve corporate objectives whilst ensuring strategies are both ethical and responsive to client needs

Module 1.1: The Public Sector Context

Outcomes: Participants will:

• understand the changing public sector environment and the impact of recent reforms on the role of the middle manager in providing service, managing people and improving productivity; and

• be able to analyse and apply relevant information to the operation of their work unit.

Content:

• model of policy/policy development, review and implementation;

• the global context: political, social, financial, legal, technological environments;

• public sector in Australia: roles, strengths and values;
• public sector reforms: stimulus for change;
• impact/result of reforms on middle managers - service, people and productivity:
  • ethics and accountability - current debate and focus; and
  • codes of conduct; and
• key middle management skill/ability: assessing the environment (collection/analysis of information).

Module 1.2: Planning and the Middle Manager

Outcomes: Participants will:

• understand the value and processes of strategic and operational planning in managing work units for optimal results; and

• be able to use strategic and operational planning processes to set goals, develop and implement strategies and enable evaluation of results.

Content:

• corporate goals - introduction of a corporate planning model showing linkages from mission through to operational implementation and evaluation - setting general directions, outcomes and indicators, commitment to corporate plans, making corporate plans work at the local level;
client definition and identification (focus on links to corporate plan) - identifying stakeholders, identifying required support levels - relationships with ministers, agency, unions, staff, clients;

identifying priorities - assessing needs;

strategic and operational planning: linking purpose to corporate objectives, resource planning, differences between policies and strategies - influencing upwards;

planning the project - SMART goals;

planning for evaluation;

gaining commitment to plans and strategies;

strengths and weaknesses of planning - flexibility and success; and

quality management - model and principles - introduction.

Module 1.3: Creating a Client Service Environment

Outcomes: Participants will:

know how to identify and assess their client groups and ensure operations are responsive to client needs and meet ethical and accountability requirements; and
be able to analyse the client groups and implement appropriate strategies, with a focus on marketing services and communicating services, which will improve services to clients.

Content:

• articulating and marketing policies/linkages (articulating policy/strategies - determining who, how, when, where, how much - articulating links, reporting schedules, products, targeting, documentation), consultation (internal/external);

• identifying and managing needs, communicating and listening; methodologies; responsiveness, strategies;

• improving service to clients (models/considerations/case studies);

• developing relationships: ethics and accountability versus service, managing upwards; and

• reinforce quality management focus on continual improvement and review.

Module 1.4: Implementation of Services and Programs

Outcomes: Participants will:
recognise the influence of environmental factors and available resources on the implementation of operational plans; and

be able to assess the environment, identify risks and opportunities and implement appropriate strategies which utilise resources for successful outcomes.

Content:

- managing constraints - internal/external, resource, policy, legislation, skills;
- project management - stages of projects; setting and monitoring program indicators; communicating and reporting plans, administration planning (guidelines, financial, audit, recording);
- securing resources, assessing skills, delegating;
- using information, systems and technology;
- using skills - team approaches, delegation - a focus on productivity.

Module 1.5: Evaluating Program Delivery and Service

Outcomes: Participants will:

- understand the processes involved in evaluation of program outcomes and their value for improving productivity and service; and
be able to measure and interpret outcomes and recommend appropriate action for improvement.

Content:

- evaluation and its role in achieving results; productivity, monitoring outcomes and correcting plans;
- evaluation (detailed treatment and model);
- measuring outcomes - methods, review performance indicators and getting it right;
- carrying evaluation outcomes forward into the planning cycle;
- quality management - focus on process;

Stream 2: Professional Identity, Leadership and Change

Outcomes: Participants will:

- understand the importance of ethical behaviour and of developing competence in interpersonal communication and leadership to increase the effectiveness of the workgroup;
- develop an improved understanding of the behaviour of themselves, other individuals and groups, and how to develop more effective interpersonal and leadership skills; and
Module 2.1: Personal and Professional Effectiveness

Outcomes: Participants will:

- better understand their own behaviour and the culture of their organisation and how influencing and motivational techniques can be used to get the best out of people; and

- be able to clearly distinguish between ethical and unethical management behaviour and to develop more professional work practices for themselves and for others.

Content:

- personal roles; preferences, impact, interpersonal skills (overview), communicating with others, thinking and learning skills, developing learning strategies, valuing others, self motivation, knowing yourself;

- professional roles: ethical behaviour, presenting effectively, representation; managing your career; and

- getting the best out of people (overview) - selecting the best, influencing versus leadership behaviours, effective use of thought and feeling,
understanding motivation (overview of the theory).

Module 2.2: Working with People

Outcomes: Participants will:

- understand the importance of effective leadership in improving work outcomes; and

- be able to develop and apply leadership skills and strategies to improve individual and workgroup effectiveness and use open, two-way communication to involve others in decisions and problem solving, communicating directions and purpose to inspire the commitment of others.

Content:

- communicating - verbal/non-verbal communications (detailed), active listening, feedback etc.;

- supervising/managing - individual needs/differences (EEO, equity), flexible styles - managing diversity, understanding and analysing behaviour (task/people);

- motivating people - theory - practical things to do - planning/goal setting, delegation, rewards, incentives, strategies etc - creativity, empowering others; and
• dealing with problems - assertiveness, conflict resolution, negotiation, interpersonal problem solving, (counselling), poor performance.

Module 2.3: Leadership and the Middle Manager

Outcomes: Participants will:

• understand how effective leadership can improve productivity, and what constitutes effective leadership and management; and

• be able to apply leadership skills and strategies to improve individual and workgroup effectiveness.

Content:

• leadership - definition (leading and change) - management versus leadership;

• the leadership balance - vision with reality, courage with ethics and dealing with ambiguity;

• strategies - analysing the environment, questioning the status quo, building individual skills - questioning, analysing, identifying strengths, improving weaknesses, knowing your products and your skills, understanding what is important, setting clear goals - situational leadership; and

• leading from the middle - middle managers leadership role: vision - thinking big, reality -
having no illusions, ethics - providing service;
courage - acting with sustained initiative.

Module 2.4: Managing Workgroups

Outcomes: Participants will:

- know the value of personal differences within work teams and understand the dynamic of workgroups; and

- be able to use appropriate management techniques to improve workgroup outcomes.

Content:

- team building - roles;

- workgroup lifecycles;

- communicating with groups, (including meetings) valuing differences;

- group planning and decision making (TMI, MBTI, Belbin); and

- encouraging shared goals and ownership.

Module 2.5: Leading People Through Change

Outcomes: Participants will:

- understand the processes of change, the influences of organisational culture on change and the change-management strategies; and
be able to effectively manage change.

Content:

- change models, features of change process, characteristics of successful change;

- organisational culture and readiness - readiness factors for change, change in the public service, resistance to change; and

- communicating objectives, sponsors for change, strategies for change projects, making change stick - consolidation, dealing with resistance, change and stress.

Stream 3: Financial and Resource Management

Outcomes: Participants will:

- understand the factors impacting on resource management in the public sector environment and the processes in managing these resources for best results; and

- be able to plan and negotiate resource requirements, manage resources to achieve improved service and productivity and meet accountability requirements.
Module 3.1: Public Sector Resources

Outcomes: Participants will:

- understand the scope and role of resource management in the achievement of desired outcomes; and

- be able to interpret the resource management frameworks within which they operate and plan strategies which make better use of identified resources.

Content:

- resource accounting framework - outcome focus, client orientation, departmental/program control and responsibility, flexible, risk management approaches, authority and responsibility, high demands on government for accountability, accrual versus cash accounting;

- identification of resources - financial, physical, information, technological, people;

- recent resource reforms (overview), program budgeting in general terms, FMIP, purchasing, audit - aims ands characteristics, outcome orientation; and

- resource planning.
Module 3.2: Managing Financial Resources

Outcomes: Participants will:

- understand public sector financial management cycles, processes and systems and the role of audit and evaluation in improving program outcome; and

- be able to plan, implement and evaluate the efficient use of financial resources to achieve strategic and operational goals.

Content:

- public sector financial structures and inter-relationships - role of parliament, Finance/Treasury (Commonwealth and State), appropriation, taxes etc.;

- budget processes/cycles;

- budgeting and organising resources e.g. Commonwealth PMB goals - efficient and effective allocation of resources, effective use of resources, efficient use of resources, performance evaluation - letting managers manage - what managers actually do;

- audit and evaluation (performance/productivity focus); and

- application of risk management.
Module 3.3: Resource Accountability

Outcomes: Participants will:

- understand the increasing emphasis on personal and organisational accountability to clients and individual responsibility to act ethically in the management of resources; and

- be able to manage programs in a way that satisfies accountability requirements, and act ethically in their financial dealings.

Content:

- personal and organisational accountability - reviewing spending and performance - devolution and accountability;

- audit and control systems and information, expenditure reviews;

- ethics in financial dealings (purchasing/allocating resources);

- legislation;

- accountability and reporting; and

- getting help - information sources, guidelines.

Module 3.4: Managing Information

Outcomes: Participants will:
• understand the role of information in the achievement of organisational goals and the use of technology in the management of information; and

• be able to identify information and technology resources and needs, and implement systems which improve productivity.

Content:

• information environment - rate of change, use of specialists, role of managers;

• role of technology in the management of information;

• identifying available information and technology - innovations, sources, impact of technology on information and vice versa;

• identifying information and technology needs - reporting requirements, planning for control and evaluation;

• using information/technology to improve productivity - pros and cons; and

• developing information collection and management systems - security.

Module 3.5: Managing Technology

Outcomes: Participants will:
• understand recent technological developments, their impact in the workplace and factors which need to be considered in planning, selecting and introducing technology; and

• be able to select and implement appropriate technology to improve productivity, service and other program outcomes.

Content:

• recent technological developments;

• impact for middle managers - users of technology;

• selecting appropriate technology;

• considerations in introducing technology; and

• technology and people - impact on work. Implementing new systems - change management, gaining acceptance, evaluating, continuous improvement, developing skills.

Stream 4  People Management

Outcomes:  Participants will:

• understand the purpose and the principles underlying human resource management in the public sector, the scope of human resource management, the industrial environment and
the implications for managing people and their work to improve productivity; and

- be able to plan and apply an effective human resource management strategy for their work unit, to plan the work of their unit, to manage individual work performance, be an effective supervisor and establish effective workplace practices to achieve results.

Module 4.1: Managing Human Resources

Outcomes: Participants will:

- understand the purpose and principles of human resource management, the scope of human resource management and the legal and industrial relations environment in which it is practiced; and

- be able to interpret and apply key HRM principles to the management of the unit.

Content:

- what is HRM - HRM model, role and responsibilities (dedicated practitioner versus line manager, e.g. managing for results) - differences between personnel management (recruitment, selection, compensation and training) and HRM (planning for HR needs, staffing the personnel needs, appraising and compensating, improving
employee and work environment, establishing and maintaining effective working relationships), importance of HRM - challenges (benefits to individuals/organisations, utilising human resources effectively) - ID and IR - information systems;

- aim of HRM - productivity, quality of worklife, legal compliance;

- legislative environment - employment contracts, other legislation and codes of conduct - Equity, EEO, merit, OH&S, Privacy, FOI - Commonwealth and State varieties; and

- IR environment - NWC, SEP, workplace bargaining.

Module 4.2: Planning Human Resources

Outcomes: Participants will:

- know how to assess workplace job and skill requirements, which human resources planning strategies planning strategies to apply to meet identified needs and understand recruitment strategies; and

- be able to develop effective human resource plans and recruit the right people for jobs.
Planning and forecasting short-term and long-term HR requirements - knowing the type of organisation (centralised/decentralised), using planning skills forecasting techniques, knowing the labour market (changed social, legal, economic, education, demographic, cultural etc experiences), costs;

- analysing jobs to determine skills, knowledge and abilities needed and design jobs to accommodate needs of individuals and organisations - job design analysis; and

- recruiting and selection decisions (external or internal, identifying candidates etc).

Module 4.3: Organising Work and People

Outcomes: Participants will:

- understand the workplace reforms that have influenced current work practices, including the role of unions and the nature of the employer/employee contract and the role of an effective supervisor;

- know how to plan the work of a unit and allocate work on the basis of organisational and individual need, delegate, establish processes for
resolving work problems, maintain effective working relationships; and

- be able to develop work plans for a work unit, design participative decision and problem solving framework for groups, be an effective supervisor and maintain group harmony.

Content:

- setting the scene (control/influence), participative decision making, levels of ID, devolution, delegation, determining management style etc.;

- organising work/people - establishing objectives, grouping activities, assigning work, communicating; and

- establishing and maintaining effective working relationships - recognising rights (employment contracts/awards), role of unions, settling grievances, building team skills.

Module 4.4: Managing Performance

Outcomes: Participants will:

- understand performance management systems in the public sector, their purpose and their application; and

- be able to write a personal performance agreement with performance indicators, negotiate
a performance agreement, give appropriate feedback on performance.

Content:

- performance management systems - formal versus informal, frequency of feedback, efficiency versus effectiveness, etc;

- negotiating personal work assignments - clarifying roles, standards;

- setting indicators; and

- performance feedback (skills), formal and informal.

Module 4.5: Improving Efficiency and Effectiveness

Outcomes: Participants will:

- understand the links between effective people management practice and productivity, the importance of and the how to develop staff, and the the links between a good working environment and productivity; and

- be able to establish workplace practices to enhance productivity, identify training needs, develop training plans and evaluate training.
• systematic relationships of HRM functions - attracting potentially qualified applicants, retaining good people, motivating (links with purpose);

• identifying, designing and implementing training and development - primary purpose of training/development (improving performance) identifying needs, developing training plans, evaluating training, career development;

• improving work environment - quality of work life, productivity improvement techniques - physical environment (OH&S), social environment; and

• HRD [human resource development] framework - identifying needs - using competencies - developing a training plan - evaluating training - career development.

Source: Australia, Public Sector Management Course, 1992, Attachment A.
Appendix 7.3: A Management Educator's Cognitive Map of the Commercialisation Process for APS Agencies

Provision of Service by Department Funded from Consolidated Revenue

Exploratory Phase

Implementation Planning Phase

Implementation of Commercialisation Phase

Enabling Legislation, Responsibility with Department

Legal Form

Production

Strategic Management

- government owned
- proprietary limited companies
- trading statutory authorities
- profit/cost centre (trust accounts and S35 accounts)
- inputs
- costs
- requirements
- process efficiency
- output appropriateness
- visioning
- change facilitation
- goal setting
- 'boundary riding'
- belief/value
- specification

Cash Accounting - Budget Expenditure

Accounting

Financial

Behaviour Modification

- Trust Account practices
- accrual accounting
- profit and loss
- balance sheets
- cash-flow
- budget projections
- forward estimates
- asset valuation
- performance dimensions
- performance appraisal
- training/development
- motivation/reward
<table>
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<th>Management Style</th>
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<td>trust/commitment</td>
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<td>selection</td>
<td>strategies</td>
<td>building</td>
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<td>price</td>
<td>deregulation/control</td>
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<td></td>
<td>motivating/rewarding</td>
<td>place</td>
<td>bonding/goal</td>
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<td>product</td>
<td>team building</td>
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<td>market management</td>
<td>open decision-making</td>
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<th>Strategic Planning</th>
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<td>SWOT</td>
<td>identification of needs</td>
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<td>mission/objectives</td>
<td>service culture</td>
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Community Service Obligations not Articulated

CSO Recognize

Organisational Developments

- culture
- change processes
- organisational diagnostics

Product/Service Delivery in accordance with traditionally accepted standards and budgets

Provision of Product/Service with full Accountability but on a Full Cost-Recovery Basis

c Dixon, 1989
Appendix 7.4: Department of Administrative Services' Model of Middle Management Development

A. Improving Business Performance

- leadership in performance management;
- more focussed work activities;
- saving in time and money;
- constructive challenging of processes;
- improved mutual understanding; and
- win/win situations.

B. Improved Team Performance

- improved capacity to manage group outputs;
- better, more focused meetings;
- inspiring a shared vision;
- team leadership;
- improved understanding of strengths and weaknesses of members of team; and
- team building.
C. A Learning Organisation with Continuous Improvement

- preserving self-esteem of staff;
- better customer relations;
- improved staff motivation;
- accuracy of communication and understanding;
- capacity to deal with feedback;
- better performance appraisal and feedback;
- confronting poor performance and turning it around;
- better staff relations; and
- empowering others.

D. Improved Individual Performance

- continuous personal improvement;
- leadership on staff development;
- modelling best practices;
- mentoring for achievement; and
- focussing effort more effectively.

Appendix 7.5

Department of Administrative Services' Middle Management Course: Objectives and Content

Level of Award Granted:  Graduate Certificate

Degree Granting Institution:  Queensland University of Technology

Duration:  One year part time

Mode of Study:  Intensive with work-related project

Entry Requirements:  Degree and/or suitable other qualifications or personal professional experience experience

Outcomes Sought:  Participants will be able to:

- demonstrate at basic mastery level, the following communication skills: observation, attending, questioning, reflective listening, information giving, reframing, interpretation and confrontation;

- relate the communication counselling skills to their work environment;

- facilitate negotiation of interpersonal encounters and business contracts;
• resolve conflict that arise in work-related situations;

• developing [sic] coaching processes to motivate, encourage and mentor staff;

• utilise the skills of group management to promote team effectiveness and co-operation; and

• apply specific knowledge gained from elective choices from the Faculty of Business, Queensland University of Technology, in their related work settings.

**CORE SUBJECTS:**

**Module 1:**

**Communications and Counselling Skills for Managers**

**Aims:**

To further develop interpersonal skills and competencies of managers.

**Content:**

• better oral communication;

• development of listening and interpersonal skills;

• self-awareness in communication;

• interviewing techniques; and

• feedback techniques;
Module 2: Negotiation and Conflict Resolution

Aims: To develop higher level negotiation and conflict resolution skills for managers

Content:

- interpreting ‘conflict’;
- recognising and managing interpersonal conflict or negotiation situations;
- establishing rapport in negotiations;
- dealing with anger; and
- managing conflicts.

ELECTIVE OPTIONS

Module 3: Coaching Processes

Aim: To further develop the skills of managers and their insights into coaching so that they can assist their employees to achieve the desired standards of excellence in their work performance.

Content:

- functions of coaching;
- use learning styles as a way of enhancing learning processes;
- tutoring;
• modelling processes;
• induction and orientation processes;
• performance appraisal;
• mentoring processes; and
• empowering.

Module 4: Group Management

Aims: To develop a practical and strategic approach to group management so as to promote a viable and responsible work group.

Content:

• how to structure group interaction;
• teaming;
• group leadership;
• interpersonal style in management of groups;
• alternative leadership practices;
• obtaining co-operation;
• improving meetings; and
• improving decision making.
Academic Electives:

One or two electives from the courses offered by the School of Communications and Organisational Studies, in the Faculty of Business, Queensland University of Technology.

8. CONCLUSION

This final chapter is bifurcated, concluding as it does both on the results of the managerialist reforms and on the challenges and threats confronting purveyors of post-experience public management education.

Quality Public Administration: Have the Managerialist Reforms Worked?

Administrative reform, once described by Caiden (1969: 1) as "the artificial inducement of administrative transformation, against resistance" received under the Hawke and Keating Labor Governments the two essential political ingredients needed for its successful implementation; a long-term commitment (DiFulio, 1993) and continued, virtually bi-partisan, political support (Ingraham & Peters, 1988). The seeds of administrative reform were sown in the early 1970s, but they only began to blossom in the early 1980s. The process of reform that then commenced fed upon managerialist rhetoric and focused on improving the quality of federal public administration by seeking to instil into public servants:

- a greater performance orientation, whilst ensuring adherence to proper processes and procedures (in areas such as equity, equality, access and participation) and probity are maintained,
- by focussing their efforts more on outputs and outcomes, rather than on inputs and processes; and
- by insisting on performance-against-objectives being an integral part of their accountability, both personally (to the agency head in the context of individual Performance Agreements) and organisationally (to the Minister, to Parliament, and to the Auditor General and the other more focused agency watchdogs);

- a greater focus on the achievement of increased productive efficiency by improving the quality and utilisation of resources;

- a more strategic approach to their management,

  - by having clearly defined corporate and program objectives and priorities; and

  - by emphasising proactive management practices; and

- a more flexible approach to their management, by establishing a less centralised and control-oriented administrative and financial systems, so that they can adjust their priorities in the face of changing circumstances, make the necessary changes more easily, and thus able to adopt appropriate risk management strategies, especially in the context of client-based administration.

Advocates of managerialism have sought to introduce an instrumental approach to public administration:

- where there is a dichotomy between politics and administration (for a critique see Riggs, 1989);

- where government is more business-like; and
where government seeks the apolitical goals of efficiency, economy and effectiveness.

The managerialist reforms over the last decade have moved the APS some way towards this approach. Individual APS agencies, moreover, are also well on the way to attaining the distinctive characteristics that the Canadian Auditor General's has judged well performing public agencies should have (Dye, 1988; also Broterick, 1992), namely:

- they integrate advanced management techniques;
- they apply total quality management principles
- they seek to motivate employees by emphasising people and participative leadership;
- they adapt to and exploit new technologies;
- they develop public-private partnerships; and
- they use measurement as a decision-making tool.

Evaluating the Managerialist Reforms

The impact of managerialist reforms on the performance of the APS has been assessed by two parliamentary committees (the House of Representatives Standing Committee on Finance and Public Administration and the Joint Committee of Public Accounts) and the Management Advisory Board (MAB) Task Force on Management Improvement. The former were concerned with specific reforms, the latter was more broadly based and focused on all reforms as well as the reform process.
The MAB Task Force on Management Improvement was created in April 1992, building upon a narrower focused evaluation of the Financial Management Improvement Program (FMIP) commissioned by the MAB in November 1991. It conducted its review under the guidance of the Management Improvement Advisory Committee (MIAC) (Rogers, 1992 & 1993; Rowlands, 1992: 2). Its purpose was (Rogers, 1992 & 1993: 416):

- to provide an overview of all significant changes in the personnel, financial and industrial relations frameworks, directed at improving performance of APS programs and services;

- to evaluate their outcomes accordingly; and,

- to report on directions for the 1990s.

Reform Evaluation: An Overview. Overall, the MAB-MIAC Task Force on Management Improvement found that public servants generally consider that the management reforms have been successfully incorporated into their work areas, although they would differ on the degree to which this has occurred (Australia, MAB-MIAC Task Force on Management Improvement, 1992a, 1992b & 1993). Its general findings were:

- that agencies have widely implemented the reforms, but with the smaller agencies doing so to a lesser extent than the larger ones;

- that agencies have generally taken initiatives to increase their focus on achieving results, meeting the needs of clients and stakeholders; and on using their human,
physical and financial resources more efficiently and effectively;

- that effective reform must build upon agency initiatives and needs, after consultation with agencies; and

- that the APS should pursue moderate reforms in the future, focusing primarily on people management.

The MAB-MIAC Task Force on Management Improvement’s June 1992 staff survey (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: Attachment D & 1992b) indicates that, overall:

- staff considered that a change in focus towards goal-oriented performance has occurred in the APS, which has resulted in a better awareness of their agency’s goals, an increased emphasis on work area performance and a stronger focus on clients;

- staff are satisfied with the work they do, which they liked and for which they considered they received fair remuneration and satisfactory recognition, have fair career opportunities and have good security of employment;

- staff feel that their skills and abilities are, for the most part, put to good use and that they now have more job responsibility;

- staff see their colleagues as co-operative in getting work done within their immediate work environment, which is one that allows work-related grievances to be discussed with their supervisor comfortably, that treats staff fairly and
equitably, and that involved them in decisions affected their work (but not in the setting agency goals), even though it is an environment in which trust and openness are typically not perceived and in which management is not perceived to be always aware of work-environment problems;

- staff consider that both the quality and quantity of the work in their immediate work area have increased, the former largely because of the human resource management reforms, but despite the structural and budgeting reforms; and

- staff believe:
  - that there has been too much change in their agency and that that change has not been well handled;
  - that there is little incentive to save money by reducing costs below that budgeted;
  - that there is a need for more advice and support;
  - that there is a lower staff morale, especially those at the lower levels; and
  - that there is an excessive focus on the quantity instead of the quality of people's work.

It is within this general evaluative setting that the evaluation of specific reforms must be considered.
Financial Reforms. The House of Representatives Standing Committee on Finance and Public Administration undertook a major review of the Financial Management Improvement Program (FMIP) and reported in September 1990 that (Australia, Parliament, 1990c: xiii):

FMIP development and implementation has, on the whole been appropriate to date although some weaknesses in execution and implementation of the FMIP strategy persists.

The main difficulties reflect some underdevelopment in important aspects of the FMIP, including its accountability and risk management dimensions, which have yet to be adequately addressed. This parliamentary review of the FMIP concluded, more specifically, (Australia, Parliament, 1990c: 121) that the financial reforms have:

- streamlined budgetary processes;
- established structures appropriate for program management and budgeting;
- simplified public financial management; and
- improved financial planning and accountability.

There is little doubt that better informed judgments can now be reached on whether individual programs delivered by the APS are achieving the results which justify their continued funding. Yet from the perspectives of a manager, the observation made by the Department of Health, Housing and Community Services (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 283) cannot be entirely ignored:

Even today, in our experience, many managers would argue that they are not convinced of the benefits of program management
to them as executives in a system which still requires them primarily to be acutely responsive to Ministerial pressure.

The MAB-MIAC Task Force on Management Improvement's (1992a: 19) conclusion is somewhat more positive than that drawn by the House of Representatives Standing Committee on Finance and Public Administration, namely:

Reforms in budgetary and financial management have yielded an improvement in effectiveness and efficiency. This has been achieved through a greater results orientation, managerial flexibility and devolution. The reforms have been substantially incorporated into work areas over the entire APS and are judged to have had positive results.

The perceptions of APS executive and middle management do, however diverge, with the former expressing a more positive perceptions than the latter (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 15).

**Human Resource Management Reforms.** A comprehensive review of the efficiency and effectiveness of human resource management in the APS was undertaken by Joint Committee of Public Accounts, which reported in December 1992 that it (Australia, Parliament, 1992b: 10):

... detected different perceptions as to the success of the [human resource management] reforms. In relation to the achievement of the goals as stated in the [1983] White Paper [*Reforming the Australian Public Service*] the Department of Finance (DoF) submitted that the reforms had been successful in improving the
responsiveness of the APS to Ministers, Government and Parliament and in promoting social justice and equity program development and delivery. In contrast to this view, other evidence to the Inquiry, together with the preliminary findings of the MAB-MIAC Task Force on Management Improvement survey, suggest that the focus on efficiency may have been achieved at the expense of effectiveness and equity. The Public Sector Union (PSU) for example, noted that one of the negative effects resulting from the streamlining changes has been an over-concentration on short term financial results at the expense of other outcomes and service quality issues [also Loveday, 1991; Ryan, 1991].

The MAB-MIAC Task Force on Management Improvement (1992a: 206) indeed concluded:

Senior managers . . . perceive that HRM programs incur high costs which suggest that care should be taken in selecting programs and that outcomes should be measured.

Nevertheless, the perception of APS executive managers is that the human resource management reforms have had a positive impact on their work areas, although middle managers were more circumspect in their judgments (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 15).

The human resource management reforms introduced since the early-to-mid 1980s have begun to have an impact on the APS. The Department of Finance has estimated that labour productivity was growing at the rate of three percent per annum in the late 1980s and anecdotal evidence would suggest that “measurable improvements” have occurred in terms of access
to career development, program outcomes and service delivery (Australia, Parliament, 1992b: 10-11). These reforms have also begun shifting the APS staff profile.

The representation of the equal employment opportunity target groups increase throughout the 1980s, most notably for women and Aboriginals and Torres Strait Islanders (Australia, JCAPS, 1992: 30-1 & 40; Weller et al., 1992: 32-3) although there is much room for improvement, especially in relation to people with disabilities and with non-English speaking backgrounds (Australia, Parliament, 1992b: xv-xvi, 50-57). More importantly, there has been an increase in the representation of women in the ranks of the Senior Officer Structure (SOS) and in the Senior Executive Service (SES), although they are still under-represented. The other APS staff profile change was a reduction during the 1980s in the proportion of base-grade administrative service officers, which fell by 27 percent between 1988-89 and 1990-91 (Australia, Parliament 1992b: 36), overlapping a rise in the proportion of middle managers (officers in the SOS) (Australia, Parliament 1992b: 92), a trend that has continued (Australia, DoF, 1992g & 1993b). This development has been the result of classification creep, caused by the competition between APS agencies for scarce resources driving up classifications to a degree unjustified by the nature of the work undertaken (Australia, Parliament, 1992b: 91-3), which has resulted in rapid rates of advancement for staff, which has been rationalised by agencies in terms of their:

... progressively more complex operating environment in which the skills, experience and knowledge at these levels [Administrative Service Officers (ASO) Grades 7 and 8] are increasingly required for the development and implementation of new or changed policies (Australia, DoF, 1991d: 3).
The implications of this trend for the standard of work undertaken in the SOS grades (formerly ASO 7 and ASO 8), linked with the integrity of that classifications standards and their usefulness as a control mechanism, has been acknowledged. The move towards identifying middle management core competencies and the introduction of career development and planning reviews (Australia, PSC, 1992a) in the context of individual Performance Agreements, may reduces these concerns.

Human resource management in the 1990s has the goal, according to the Public Service Commission (PSC), of focussing "... on individual performance, thus helping people to achieve their agency's objectives and continuously improve their agency's performance" (Australia, PSC, 1992a: 1). Indeed, public servants have recently selected human resource management as

... the the reform area which has had the greatest positive impact on the quality of their work over the last three years and the one which also should be given the greatest priority over the next three years (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 206).

**Structural Reforms.** The structure reforms have changed the face of the APS since the mid 1980s, in terms of its size, complexion and approaches to decision-making. APS staffing fell, in net terms, from a peak of 176,782 in June 1986 to 166,140 in June 1991, although there was a slight increase (0.09 percent) in following year (Australia, DoF, 1992j: 23). The APS has become subject to less central-agency control, and more streamlined, more decentralised, and, in the view of some senior public servants at least, more policy co-ordinated (Craswell & Davis, 1994: 70-1). Constituent agencies
have changed their approaches to decision-making by adopting, to varying degrees, flatter organisational structures, and more devolved and decentralised decision-making processes (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 85, 87-8, 91-2 & 103-4). It is acknowledged, however, that the management of organisational change has been problematic (Australia, ANAO, 1993; Australia, MAB-MIAC Task Force on Management Improvement, 1992a; 117-18) in both its human processual and its techno-structural dimensions. There is, however, evidence to suggest that "... there is optimism that the impact [of the structural reforms] on long-term stability will be beneficial, the costs of organisational change are significant" (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 117). The perception of APS executive managers is that the structural reforms have had a positive impact on their work areas, although middle managers were again more circumspect in their judgments (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 15).

Commercialisation Reforms. The overall impact of commercialisation can be assessed on a number of dimensions. First, the Department of Administrative Services (DAS) has estimated that between 1987 and 1991 cost savings to the Commonwealth from the commercialisation of common government services were in excess of $200 million a year, largely due to the reduction in staffing by some 30 percent (Australia, DAS, 1991: 2; Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 283; Mellows, 1993). Secondly, the available evidence suggests that agencies receiving these services consider, to varying degrees, that commercialisation has begun to improve common government service provision (Australia, MAB-MIAC Task Force on Management
Improvement, 1993). Typically, the Department of Health, Housing and Community Services has concluded (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 274):

As a [common government] service user, the Department appreciates the willingness of the [common government service] providers to improve their customer orientation as well as to decrease price structures for the services involved. Again, our experience is that there has not always been performance which matches the rhetoric but improvements are probably not long away. HHCS benefits from the flexibility now available and foresees greater benefits when agencies can exercise greater freedom of choice within the wider market.

Whether this improved customer orientation is the result of the commercialisation reforms is not self-evident to some agencies, the Department of the Arts, Sport, the Environment and Territories, for example (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 42). DAS, in contrast, is convinced in 1992 that commercialisation has improved its service provision and that further improvements would follow the virtual deregulation of its APS markets (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 6-9), which occurred by mid 1993. Thirdly, a variety of agencies consider that the quality of their services has been enhanced by being commercialised because they had to become more customer oriented. The Department of Employment, Education and Training (DEET) has concluded, in relation to its Commonwealth Employment Service (CES) (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 99):
User pays . . . has had a positive impact on the setting of CES priorities, and provides an environment where business expects and receives a higher standard of professional service.

The Department of Primary Industries and Energy asserts (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: 277) that in its case it has become more responsive to clients, which has resulted in:

Closer contact with industry clients and a gradual improvement in mutual understanding of the requirement of each. Gradual increase in client interest towards joint work (i.e. they better appreciate the value of our work). Better focus on needs of clients, with a corresponding requirement for better priority setting.

Finally, DEET has noted that in its experience (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 99):

user pays has placed DEET in competition with some private businesses, which has added a tension to the relationship between the Department and those businesses.

The cause of this tension has been identified by the Department of Finance (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 193), which made the obvious, but nevertheless important, point that

. . . private sector suppliers consider that public service providers can have inbuilt advantages and that there is not a level playing field for example, if full costing is not employed.
This ignores, however, the reality, also recognised by the Department of Finance (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 274), that

... for some public service providers, their capacity to operate fully in a commercial mode is limited because of the perceived inflexibilities of public service conditions of service, for example a requirement to follow APS pay, conditions and practice.

Reflecting on commercialisation, both DAS and the Attorney-General’s Department have confidently asserted that their user pays initiatives have been widely accepted and that both staff morale and job satisfaction have improved as a result (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 10 & 52). The Department of Industrial Relations makes a similar point when it notes (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 352):

The methods used in these commercial practices have placed new and different demands on the Department but staff have responded very positively to these demands.

The Department of Health, Housing and Community Services has expressed the view (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 274) that

the trend to more commercial practice has been a valuable educational experience. It has established entrepreneurial skills in people and fostered a more commercial and professional approach to public sector management. It has also provided public servants with a better appreciation of private enterprise operations.
More soberingly, the Auditor-General, after reviewing selected APS commercial activities, has concluded that any poor implementation of commercialisation observed was the product of the failure of commercialising agencies and government to establish acceptable business frameworks (ANAO, 1992b & 1992c). The commercialisation of the Defence Science and Technology Organisation (DSTO), for example, has been plagued by the lack of clear government statements on what constitutes DSTO's commercial role; on its commercial and non-commercial objectives; and on how its commercial activities should be financed (Australia, ANAO, 1992b: 26). Given the Department of Defence's very evident ambivalence towards commercialisation in general, and the commercialisation of DSTO in particular, the primary role of which it sees as servicing the needs of the Australian Defence Organisation (Australia, ANAO, 1992b: 5), this lack of clear government direction has made DSTO a "double bind" organisation (Hennestad, 1990), where conflicting messages create ambiguity and inhibit dialogue, so impeding the development of the corporate planning, accounting and management strategies needed to successfully commercialise DSTO. This has created a dilemma. The Department of Defence does not want DSTO to gain too much financial independence, so that it will not be deterred from its primary non-commercial role, thus it is only able to "... retain profits while they remain at a relatively modest level ..." (Australia, ANAO, 1992b: 25) "... as an increment to the normal budget. allocations ..." (Australia, ANAO, 1992b: 9), yet the DSTO is expected by government to become more commercialised. The commercialisation of Commonwealth Reporting Service (Auscript), within the Attorney-General’s Department, has also become problematic because a strategic component of its commercialisation strategy, the pursuing non-Commonwealth public sector clients, may indeed be unconstitutional. This means that Auscript may be "... less able
to compete without access to a larger [non-Commonwealth public] market” (Australia, ANAO, 1992c: 12).

Commercialisation, in the context of the other managerialist reforms, has created significant challenges that the APS must address in the 1990s and beyond (also Marsh, 1993).

**Accountability: A Refocusing From Ministers Towards Public Servants**

The managerialist rhetoric and reforms have shifted the focus of the external accountability of the APS away from Ministers towards public servants, even downwards towards middle-level public servants (Australia, MAB-MIAC, 1991d, appendix 2 & 1993c). Public servants may have gained more autonomy, but they certainly expected to be more accountable for their management actions (Coates, 1992a), although one such official as observed (Shand, 1987: 6):

> The exact way in which managers are in the future to be held accountable for their performance is not entirely clear although such concepts as programme budgeting, requiring program performance to be measured in some sort of way clearly goes in this direction. In theory, the power of removal for non-performance now exists.

It can be argued, of course, that since the public sector lacks any automatic disciplining mechanism, better government requires strong public accountability, because public servants, and those who govern them, have access to the resources of captive investors and a preference for rent-seeking behaviour. It is, after all, only human nature for a public servant, and even their political masters, not to highlight, voluntarily, any mistakes
or decisions which have resulted in a waste of resources. It can also be argued that bad administration thrives on secrecy. The solution, according to the Auditor-General, is to involve external stakeholders in internal monitoring, evaluation and accountability processes (Australia, ANAO, 1992a & 1992e).

The Joint Committee of Public Accounts would seem to have made its judgment on the parliamentary accountability of public servants in the early 1980s, when it concluded that responsible government requires senior administrators to be "... answerable not only to Ministers but also to Parliament for their management of public policies" (Australia, Parliament, 1982: vii; also Uhr 1989b). It reiterated this view in the late 1980s (Australia, Parliament, 1989a: 9):

Accountability to Parliament means that federal officials are answerable to Parliament for their actions and decisions. In other words, maintenance of accountability maintains parliamentary authority over the public sector.

The House of Representatives Standing Committee on Finance and Public Administration almost seems to agree (Australia, Parliament, 1990c: 98):

... the Committee considers that greater demands for accountability may be made of public servants by Parliament as greater attention is directed towards issues of performance. Public servants may be called increasingly to account for the effectiveness of programs as well as their efficiency. Greater demands may also be made of public servants in terms of openness and co-operation as the success or failure of government programs is open to greater exposure.
Again (Australia, Parliament, 1990c: 92-3):

Public servants are accountable [to Parliament], but in a less direct sense. They have accountability obligations in terms of keeping Parliament informed and assisting parliamentary scrutiny of public administration and expenditure.

The power of parliamentary scrutiny extends beyond having public servants report on their activities. The ability of parliamentary scrutiny processes to expose unethical, inefficient and ineffective public administration adds additional dimension to the accountability of public servants to the Parliament.

The picture in relation to what accountability covers is also complex. Parliament has a wide interest in accountability ranging from issues concerned with the process and probity of government administration and spending, to the efficiency, effectiveness and appropriateness of government policies and programs.

Within the senior echelons of the APS, exception would seem to have been taken with this broad conceptualisation of their public accountability, arguing instead that they have a responsibility to support the accountability obligations of government, in the context of ministerial responsibility for the performance of government (Australia, MAB-MIAC, 1991d & 1993c; Australia, MAB-MIAC Task Force on Management Improvement 1992a: 503-4 &506; Barrett, 1991c; Core, 1993; Jinks, 1989a). Perhaps they would accept, quite readily, John Stuart Mill’s judgment (1977: 414) on the capacity of Parliamentarians to oversight public administration:
At its best it is inexperience sitting in judgment on experience, ignorance on knowledge; ignorance which never suspected the existence of what it does not know, is equally careless and supercilious, making light of, if not resenting, all pretensions to have a judgment better worth attending to than its own.

Perhaps their reluctance is grounded in the combative climate in which parliamentary accountability takes place, which one Parliamentarian has described, so vividly, as follows:

Too often the manner in which Parliament seeks to maintain principles of fairness, impartiality, probity and public accountability is characterised by the use of its powers to seek punishment of those were are seen to have made a mistake, regardless of any consideration of risks involved and at the expense of acknowledging and rewarding success. Any poor soul who has had the sharp end of a parliamentary committee of inquiry would readily agree with those sentiments (Australia. Parliament, House of Representative, *Hansard*, Volume 168, 31 August 1989: 718).

It would take an adventurous and brave “poor soul” in this setting to implement the colourful prime ministerial edict: “Stand your guard and give’em [Senate Estimates Committee members] a bit of lip back when they’re wrong” (quoted in *The Canberra Times*, 2 July 1993: 1). Experience might suggest that any direct accountability of public officials to Parliamentarians would create a situation resembling Baghot’s worst fears (1963: 198):

He [the senior official] would be an outsider. He would speak under suspicion; he would speak without dignity. Very often he
would speak as a victim. All the bores of the House would be upon him. He would be put upon examination. He would have to answer interrogatories. He would be put through the figures and cross-questioned in detail.

MAB-MIAC focuses on a narrower concept of accountability, arguing that it occurs when:

... there is a direct authority relationship within which one person accounts to person or body for the performance of tasks or functions conferred, or able to be conferred, by that person or body” (1991d: 1; also 1993c).

Thus, under this perspective, public servant accountability embraces the setting of goals, the reporting on results achieved, and the consequences of actions taken, to the responsible Minister, who, in turn, reports to Parliament. This perspective is based on the traditional accountability role of public servants under the Westminster model, namely to support the accountability obligations of government by preparing the appropriate accountability documentation (also Cole, 1988b; Emy & Hughes, 1991; McCallum, 1984; Waterford, 1991; Wiltshire, 1988). Wettenhall, in his evidence to the Joint Committee of Public Account’s enquiry into the appropriate guidelines needed for departmental annual reports makes this point when he observed (Australia, Parliament, 1987, Evidence: S50):

The [annual] report that leaves the departmental secretary’s desk should be a ‘draft’ for the Minister, ... what goes on to Parliament, after acceptance or amendment by the Minister, should be unambiguously the Minister’s report to Parliament.
The Department of Defence expressed a similar view to that Committee (Australia, Parliament, 1987, Evidence: S 168). By limiting accountability to situations where there is direct authority relationship, the MAB-MIAC’s accountability discussion papers (1991d & 1993c) failed to do full justice to the importance of internal accountability mechanisms, such as internal regulatory and performance audits (Australia, ANAO, 1990; Barrett, 1993b) and program management reviews; and virtually denied accountability to (but accepted the potential influence of) clients. Moreover, they saw the Auditor-General, which undertakes financial, efficiency and project performance audits (Pugh, 1987; Taylor, 1990; Wood, 1988), and the merit and judicial review mechanisms (Bayne, 1988a) only as adjuncts to accountability (also Australia, Parliament, 1989a).

Judicial and merit review mechanisms also complicate the accountability responsibilities of public servants. The managerialist reforms have enhanced the scope for judgment on a variety of management and procedural issues (Ingersol, 1989), for which they are accountability to these mechanisms in terms of the process by which views are formed and options for decisions are selected (their judgmental performance), as revealed in their administrative decisions (Thynne & Goldring, 1987). The exercising of sound judgment requires that information and reasons for decisions be made explicit. Indeed, Pearce (1989) has argued that external judicial and merit review can help focus and enhance the quality of judgment by bringing into the open and making clear the preconceptions or presuppositions that underlie administrative decisions. The resulting accountability dilemma is, however, well understood by the Administrative Review Council, which has noted (Australia, ARC, 1993: 33):
... external review, by taking the responsibility of the final decision away from the primary agency, worked against some of the goals of 'managerialism', the management philosophy underlying the move towards giving managers more discretion while making them more accountable for the results they achieve. That is, if an external body were making the actual decisions how could the manager be held accountable.

The managerialist rhetoric has also endeavoured to shift the focus of APS accountability from compliance and probity to program, organisational and management performance (English, 1990; Harris, 1990; but see Fuller & Roffey, 1993). It has done so by seeking to improve managerial accountability through the clarification of responsibilities and their linkage with authority. The question is whether public servants should be held accountable for organisational or program performance or only for the management of that performance. To hold them responsible for performance is problematic, when not all elements of organisational and program design and implementation are under their authority and when performance is influenced by uncontrollable environmental factor that they could not reasonably be expected to have foreseen.

The managerialist reforms have improved the information available for performance accountability of the APS. Budget documentation now includes considerable information on the distribution of funds by program and by Portfolio. The ministerially-endorsed, portfolio-based Program Performance Statements (previously Portfolio Explanatory Notes) focus on the outcomes and effectiveness of program strategies in meeting articulated objectives and on issues of cost-efficiency (Australia, DoF, 1992f; Noun, 1992; also Australia, Parliament, 1991e). The Portfolio Budget Measures Statements focus on new budget initiatives and significant expenditure
variations. Departmental annual reports focus on the organisational strategies developed and implemented by agencies to achieve the broad goals of the Government. Departmental evaluation reports focus on the performance of specific programs. The Auditor General presents financial and performance audit reports. Despite this plethora of information, the Joint Committee of Public Accounts has identified accountability gaps caused by the devolution of a range of human resource management functions to agencies and has urged the PSC to report regularly to the Prime Minister on APS human resource management practices (under sections 22A of the Public Service Act, 1922 and 72A of the Public Service Regulations) and for agencies to "... include more details about their HRM plans and actions in annual reports and program performance statements" (Australia, Parliament, 1992b: 28). Commercialisation has also created further accountability gaps relating to the disclosure of commercially sensitive information, especially when there may seem to be an apparent conflict between the government's commercial interest and some perception of the public interest or when questions of integrity and ethical behaviour are being considered. At issue is who should decide what constitutes commercially sensitive information and under what circumstances, if any, should commercially sensitive information be given in Parliament or to parliamentary scrutiny committees. Ultimately, the issue is whether public servants should (and can) be required to disclose commercially sensitive information to Parliament.

Despite the enhanced flow of data on APS performance, Marsh (1992: 25) concludes, rather tentatively, that parliamentary scrutiny has had only a "... sporadic impact more generally on the performance of departments and agencies" and that it has had only "... limited focus on prospective performance and value as explicit concerns of inquiries." Parliamentary
scrutiny committees have shown a reluctance to use effectively the improved provision of information available to judge the performance of government (Coates, 1992b: 451-2; McMullan, 1990), preferring to focus on their own accountability agenda, one that, some would argue, concentrates on compliance and blame apportionment (Morris, 1989; Shand, 1989a: 8), although the evidence for this is not without blemishes (Aldons, 1985; Australia, Parliament, 1990c: 95). The danger is that if this accountability orientation continues it will:

- discourage acceptance of responsibility by public servants for the management of program outcomes; and
- reinforce risk-aversion behaviour by public servants, which would be counter-productive to program or corporate goal achievement.

On traditional, compliance accountability, the Head of the New South Wales Premier's Department has expressed the view:

We need to consider whether we are prepared to compromise on our existing form of [compliance] accountability . . . We must be prepared to accept a different type of accountability [one that is performance-centred]. The bottom line is that we pay for traditional accountability by reducing the efficiency with which services are delivered (quoted in Guthrie, 1991: 13; also Cole 1988b; Davis, 1989).

This proposition is disagreed with by both the Commonwealth Auditor-General, Mr John Taylor (Taylor, 1995) and the Joint Committee of Public Accounts (Australia, Parliament, 1989: 10). Compliance and probity remain, along with economy, essential dimensions of public accountability
for both the Auditor-General and parliamentary scrutiny committees, because the opportunity of fraud and mismanagement by public servants has increased, encouraged by the adoption of risk management practices, and by the lessening central financial controls through the use of prescriptive regulations (Bishop, 1991). It has been argued by some that parliamentary committees do not fully understand the changed approach to risk management (Australia, Parliament, 1990: 95; also Australia, MAB-MIAC Task Force on Management Improvement, 1993; Coates, 1991; Marsh, 1992), but as the House of Representatives Standing Committee on Finance and Public Administration noted in 1990:

In terms of risk management, parliamentary committees remain cautious about the implications and achievements. The Committee agrees with the Auditor-General that 'Proper risk management is based on an assessment of risk and regular review of what is actually happening.' (Australia, Parliament, 1990c: 95).

Yet another complicating accountability issue that impacts on public servants is the lack of an adequate management information systems (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 71). Unless relevant and timely financial and non-financial information about what is going on in an agency is available to various levels of management, the devolution thrust that has pushed authority to lower levels within an agency can only be problematically matched by an accountability thrust that seeks to more precisely realign responsibility and accountability with the devolved management authority (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 29). Thus while the devolution thrust is widespread, its implementation has been problematic (Australia, MAB-MIAC, 1992a; Australia, Parliament, 1990c:
Indeed, only a minority of APS staff believe that their agency is working well under their current structure (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 23).

The obvious conclusion to be drawn on accountability is that the search must now begun in earnest for a solution to Emy's (1978: 530) long standing challenge:

If one wishes to create a new system of public accountability to replace that based on ministerial responsibility, one is faced with re-defining the balance of power and responsibilities between elected and appointed officials in the modern state.

Service Quality: A Refocusing of Standards

The managerialist reforms have necessitated a re-conceptualisation of quality of government services (see Howard, 1991 for a discussion of the relationship between effectiveness and service quality). The process by which quality standards are determined for government services (in relation to, for example, appropriateness, responsiveness, competence, courtesy, credibility, security, access, communication and understanding of and meeting clients' needs (Zeithaml et al., 1990)) has traditionally been dominated by service delivery professionals (Kearney & Sinha, 1988), who are often organisationally well-entrenched because their attitudes and behaviours are in conformity with organisational cultural norms, which are difficult to change (Sheldon, 1990). Their articulation of what are acceptable service standards have been long been the quality benchmarks applied to the provision of such services. Traditionally, the quality perceptions of government service recipients have been under-valued, if
not ignored, because of their perceived lack of knowledge of the statutory and/or regulatory context within which government services are delivered, or lack of capacity to make judgments on appropriate service standards. Managerialist rhetoric has, however, challenged this.

That there has been a shift away from the nomenclature "service recipient" to "client" or even "customer", however, does not, ipso facto, change the attitudes held by service delivery professionals. Given the adoption of the user-pays principle, especially in relation to the provision of both common government services in a deregulated market environment and other goods and services in a competitive market, the service recipients' articulation of needs-satisfying standards can no longer be ignored, even if they are in conflict with the acceptable professional standards benchmarks. To complicate matters, there are a variety of interest groups that relate to any given area of government service delivery (such as trade unions, professional associations, industry or community groups, even parliamentarians) each of which may have their own perceptions of the appropriate standards of service, which, through political mechanisms, they can seek to impose on agencies. This creates for program managers an environment ripe for conflict over appropriate service delivery standards, generated when the re-determining of service quality benchmarks occurs simultaneously with targeting of productivity increases, cost-reductions, cost-recovery or even profit imperatives (Milakovich, 1990).

The dilemma for service-delivery agencies, even those with a commercial-orientation, seeking to enhance the quality of their services is to balance appropriately the often conflicting perceptions of what constitutes a good quality service. The MAB-MIAC Task Force on Management Improvement has drawn the conclusion that (1992a: 423):
A client focus has significant benefits in improving service performance but, in non-commercial areas of the APS, needs to be balanced with an assessment of other stakeholder requirements arising from Public Service accountability.

That government service quality has been improved is the judgments of APS staff, for most believe that the services provided by their work areas greatly or very greatly exceeds their client's expectations (Australia, MAB-MIAC Task Force on Management Improvement, 1993: 43). Common government services clients consider that the quality of services their work area receive to have improved to the point that they now consider them to be of a good or very good quality (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 43). External clients, it would seem, have also judged that government services have achieved a satisfactory level of performance, for, as the MAB-MIAC Task Force on Management Improvement's population (general public) survey (Australia, MAB-MIAC Task Force on Management Improvement, 1992a: ch. 9 & Attachment E) found:

- most people who had recent contact with an agency considered that were dealt with well or very well; and
- although most people were not aware of any changes to the quality of public services between the last two times they had dealt with an agency, those who did perceive a quality change considered that is was an improvement.

As to why such improvements have occurred, opinions are scarce. There is some support amongst APS staff for the propositions that it is the result of service agencies adopting a client orientation and that it occurred despite the lack of skills and experience by the service-delivery staff
(Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 42). The perception of APS staff on the impact of the managerialist reforms on service quality is ambivalent. A high proportion of staff reported that they considered particular reforms to have had no effect, or no known effect, on the quality of services in their work area (between 45 and 74 percent, depending on the particular reform concerned), although there is an inverse relationship between the respondents classification level and the perception that service quality had increased as a result of any of the reforms (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 44). The minority of staff who considered that any of the particular reforms had had an effect on service quality were polarised about the effect of the commercial and the budgetary reforms, considered that the human resource management and the planning and reporting reforms had increased service quality, and judged that the budgetary reforms had decreased service quality (Australia, MAB-MIAC Task Force on Management Improvement, 1992b: 43).

**APS Values A Refocusing Towards Performance and Personal Responsibility**

The managerialist reforms have sought to shift APS values more towards productive efficiency, program performance, client orientation and personal responsibility, while retaining the traditional public service values of impartiality, adherence to the rule of law, equality of treatment, privacy and confidentiality, integrity and honesty, and ethical conduct (notably, having an open-minded receptivity to facts, making decisions in accordance with self-evident facts, and accepting and correcting mistakes) (Wheeler, 1964; also Carter, 1986; Summerton, 1980). Within this amalgam
of competing ethical values, public servants in exercising their judgment on administrative discretion do, from time-to-time, have to confront ethical quandaries and moral ambiguities and dilemmas relating to care and justice (Jos & Hines, 1993). They do have to come to terms with conflicts of loyalty, especially in hierarchical organisations that demand absolute loyalty, thereby forcing the displacement of other important values (Bovens, 1995). They do have to deal with the occasional dilemmatic divergences between bureaucratic ethos (notably, efficiency, economy, professionalism, accountability and loyalty) and democratic ethos (notably, public interest, political responsiveness, community participation and social justice). The challenge awaiting to be addressed is the designing of an appropriate code of ethical conduct for public servants (Bowman, 1981; Caiden, 1981; Fischer & Zinke, 1989; Rohr, 1991) that simultaneously assures:

- the public that public servants act in a responsible, ethical and legitimate manner when exercising power in the service of the public interest (the common good), without compromising and sacrificing ideals (Denhardt 1989; Cleary, 1989; Kass, 1989), by positively stimulating ethical behaviour and practices (Beaumont, 1989; Fischer & Zinke, 1989; Greene, 1991-2) within an acceptable “ethical space” (Fox, 1989), notwithstanding Barnard’s “zone of indifference” (Golembiewski & Kuhnert, 1994; Rabin, 1994; Stewart, 1989) or Stewart’s (1988) “personal zone of acceptance of decision premises”, both of which circumscribe authority relationships; and

- the public servant that the ethical principles espoused are not too impractical, too rigid, too abstract, too vague or too
naive (Gilman, 1989) by placing them into the bureaucratic *lebenswelt*, defined by the realities of the reformed APS.

The implementing and enforcement of any such code of conduct requires multiple organisational support rooted in:

- appropriate executive management role modeling (Sims, 1991; Weaver, 1993) and "dialogic leadership" (Nielson, 1990) with the required "rhetorical knowledge" (Green & Zinke, 1993: 322-3);

- an ethically-oriented organisational culture (Sims, 1991; Sinclair, 1993; Weaver, 1993) that supports individual responsibility for ethical actions (Hummel, 1989; Stackhouse, 1989; Wimm, 1989);

- appropriate formal structures, such as an ethics committee (Sims, 1991; Weaver, 1993);

- systematic ethics training (Gilman, 1989; Sims, 1991);

- the punishing of unethical behaviour (and the removal of any punishment for ethical behaviour) (Sims, 1991); and

- regular agency ethics audits (Lewis, 1992) focussed on assessing its ethical environment, identifying strengths and weaknesses, and setting an action agenda for appropriate for periodic review.

Public Service Commissioner, Mr D. J. Ives, has called for a "new professionalism" in the APS (quoted in *The Canberra Times*, 8 June, 1993: 6), the heart of which is a correct blending of managerialist and traditional
public-service values, because of his evident reservations about implications of the APS adopting business-like practices:

... I do not think that the Public Service, in its role within government, can simply hope to exist on the basis that it will pick up commercial practices, full stop, and everything will then fall into place. I think the Public Service does have a special character, related to the framework of government which we have and related to the expectations which the community has of the way in which the Public Service will operate and deliver things. The community expects the Public Service to be responsive, to be concerned with effectiveness, to be concerned with client services, to have a quality of independence and loyalty, and to have built into its activities merit and equity and other principles of natural justice and accountability. ... when you put all of those things together, many of them would seem to be a long way removed from the commercial practices that exist (quoted in Australia, Parliament, 1992b: 82; also Bailey, 1989; Jupp & McRobie, 1992; Mansfield, 1987; Yeatman, 1990a).

In more concrete terms the dilemma has been articulated by the National Program Director in the Department of Veteran's Affairs in the early 1990s, Mr P. G. O'Connor (quoted in Australia, Parliament, 1992b: 82-3):

... there is a concern that some of the people that we have traditionally employed with disabilities might be forgotten about in the drive for enhanced productivity. That is an issue we are concerned about, and we are concerned to continue to meet our obligations to the EEO program, particularly the disability
program, but it does have an overall impact on productivity [also Butler, 1989].

The Joint Committee of Public Accounts has expressed the hope (Australia, Parliament, 1992b: 12) that a balance can be achieved between productive efficiency and important APS values such as access and equity and that training can:

... restore to public servants the importance of the values of a professional public administration, which is capable of reflecting the diversity of Australian society and which is dedicated to serving the public in that society.

The defining and inculcating of the “new professionalism” ethos is of fundamental importance to the future of the APS. To make distributive justice (in the allocation of government services) and natural justice (in the production of those services) subservient to productive efficiency, program performance, cost-recovery and even profitability will intensify public debate on the trade-offs involved, which may well determine the degree to which managerialism in its current form survives.

Managerialism: Driving Canberra From Westminster, Beyond "Washminster", Towards "Westington"

The Westminster model is no longer a political metaphor that accurately characterises the operation of Australian federal politico-administrative system (Weller, 1987: 23; Wettenhall, 1986c). The 1980s has seen an accelerating of the not too subtle turning away by Ministers from the sacrosanct canons of the Westminster politico-administrative model,

The Westminster system is sick all over the world because essentially it is a nineteenth century system based on the concept of an elite and informed electorate and a flexible lower House with an adequate check on the executive. Neither of these concepts is still valid today. . . . I think the answer lies in the gradual development of the Westminster system to a point somewhat closer to the American system, with a strong questioning Senate balancing the executive [also Fraser, 1978; Knight, 1978].

Indeed, by the late 1970s the hybridisation of the Westminster model into the "Washminster" metaphor had been completed, by a process whereby "forms become separated from existing practices and recombine with new forms in new practices" (Rowe & Schelling, 1991: 231). "Washminster" reflected the changing balance of executive and legislative power with the emergence of Washington-style presidential political and administrative practices (Thompson, 1980, 1981, 1983 & 1991; also Collins, 1978; Emy & Hughes, 1991: 302-3; Forward 1977; Walter, 1986, 1987, 1989a & 1989b; Weller, 1985; Uhr, 1987a). This metaphor, itself, however, began transmogrifying into the "Westington" metaphor by the late 1980s, as a result of (Jarman & Kouzmin, 1993: 10):

- the prime ministerial style of governance becoming more presidential (also Hart, 1992);

- the plurality of the executive, based in intra-party factionalism; and
• the dominance of the executives over the legislature, the Senate notwithstanding (also Emy & Hughes, 1991: 319-28; Uhr, 1992).


• the Prime Minister and his office (Weller, 1992);


• the APS, particularly the policy development and co-ordination departments, notably Prime Minister and Cabinet (Brouwer, 1989; Kelleher, 1988; Warhurst, 1992; Yeend, 1979 & 1989);

• the parliamentary and non-parliamentary party systems;

• factions within the parties; and

• ministerial staff.

The rule of primus inter pares has, in reality, changed as never before (Kouzmin et al., 1995). The Department of Prime Minister and Cabinet can duplicate the policy knowledge of the line departments. Together with the Departments of Treasury and of Finance, they can collectively neutralise line department policy advice. They can determine and control the policy agendas. The Prime Minister has effective control over the parliamentary timetable, parliamentary business, the composition of the House of Representatives committee system, parliamentary resources and the
relationship between Parliament and the media (Jarman & Kouzmin, 1993: 8; also Burr, M. quoted in, Australia, House of Representatives, Estimates Committee A, Hansard, 28 August 1980: 8; Uhr, 1992), which means that parliamentary scrutiny of the executive has become the responsibility of the Opposition-dominated Senate, through its intricate committee structure. This has, as the Auditor General, Mr John Taylor (1995: forthcoming) notes, given rise to a "creative tension" between the two branches of government, upon which he so aptly observes:

The relationship may never be an easy one, though I would hope we could move closer to the practice and conventions of Westminster merely in the sense of there being a clearer understanding and tolerance of the differences between the two than, for example, might be found in the attitudes that flow from the division of powers in our American cousins' case.

The progression from Westminster to "Westington" has a number of significant implications for the APS.

On the Bureaucratic Values of Neutrality and Impartiality

The APS comprises complex set of influential players, all of whom seem willing to engage in the type of bureaucratic politics described by Miller (1993; also Allison, 1971), namely, coalition formation, symbol manipulation and constituency mobilisation. Every opportunity available is exploited to influence key Ministers, who are increasingly arrayed in factional groupings around the incumbent Prime Minister (Jarman & Kouzmin, 1993). Some seem even willing to engage in partisan politics. This threatens to undermine the long held, even sacrosanct, principle in
Australian public administration that partisan politics and administration should be kept separate, thereby seeking to producing Weber’s (1958: 95) "genuine official", one who is impartial, rather than partisan, and disinterested, rather than self-serving:

The genuine official . . . will not engage in politics. Rather, he should engage in impartial ‘administration’. . . . The honour of the civil servant is vested in his ability to execute conscientiously the order of the superior authorities, exactly as if the order agreed with his own conviction.

The APS has long endeavoured to hold firmly to the values of neutrality (Parker, 1961, 1964 & 1965; Spann, 1973) and impartiality, although it has come under threat, some would say it has become a myth (Williams, 1985: 58). This was almost an inevitable product of the Members of Parliament (Staff) Act, 1984, which permitted ministerial staff (Walter, 1989a) to move from “temporary” to “permanent” policy advising positions in the SES, thereby legitimating those acts of political “cronyism” driven largely from Ministers’ offices, the most powerful of which is that of the Prime Minister (Walter, 1989b); and of the Public Service Reform Act, 1984, which first introduced job insecurity as a fact of life for senior public servants. This radical departure from the norms of a strictly merit-based career path (Ingraham & Ban, 1988; Parker, 1990) and of tenure for senior public servants, significantly affects, as real politik, the readiness of senior public servants to offer their Ministers, and their ministerial staff, non-partisan, objective and fearless advice, long propagated as the Westminster norm. One senior public servant has remarked on the latter dimension (Taylor, 1995: forthcoming):
The change in the situation of the senior public service which has occurred is not entirely reassuring. Leaving aside questions such as their relative remuneration - which at the top is appalling - their position vis-a-vis Ministers has been considerably weakened. Their relative security of tenure as permanent heads has gone and they must rely upon convention to avoid regression if the worst happens. While as far as one can tell the current heads of departments seem to have the strength of character and integrity to give the sort of advice they believe should be heard, rather than what might be desired, the situation is considerably changed from the past [also Codd, 1990a; Hyslop, 1993; Wilenski, 1986b].

While it might be argued that it is desirable, even necessary, for the senior echelons of the APS to become more politically aware, more sensitive to the political environment, and more responsive to political needs (Baxter, 1991; Haines, 1989; Self, 1983), it remains to be seen, however, whether the apparent diminution of the values of neutrality and impartiality will lead inexorably to the development of a public service that is more politically committed (McCarrey, 1987; Parker, 1993). The MAB-MIAC Task Force on Management Improvement has concluded (1992a: 8) that "... there is no evidence that the APS has become more politicised", others would agree (Parker, 1989a; Weller, 1989). Only time will tell whether this means government receives partial, inexpert and self-interested advice and whether there is any loss of administrative performance, of professional credibility, or of career opportunities and thus capacity to recruit and retain talented staff (Ingraham & Ban, 1988; Parker, 1993).
On Ministerial Accountability

Westminster-style individual and collective ministerial responsibility has become genuinely threatened as a result of the growing "Westington" political style. The notion of individual ministerial responsibility (Australia, MAB-MIAC, 1991d; Butler, 1973; Chapman, 1990; Thynne, 1983) has been weakened and the future of cabinet collective responsibility has been seriously compromised (Emy & Hughes, 1991: 308-18; Weller, 1985a & 1985b). The possibility of over-taxed, some might say lax, Ministers getting off the accountability hook has become a probability, as prime ministerial leadership becomes more expedient because of dependence upon the shifting factional power bases. The question is to what extent will the senior public servant be cast into the accountability lime light in the absence of ministerial responsibility. Parliament seems to have already accepted this substitution (Australia, Parliament, 1982: vii; Australia, Parliament, 1989a: 9; Australia, Parliament, 1990c: 92-3 & 98).

The Public Management Education Challenge

APS managers, especially those in APS quasi-businesses, are expected not only to improve productivity, so as to reduce costs, but also to improve program quality, within an organisational and politico-administrative environment that leaves them vulnerable because the traditional public administration concerns (such as accountability, natural justice and career service) have yet to be adequately addressed. This management task requires them to confront a variety of challenges (both personal and managerial) and not insignificant threats (again both personal and organisational). Understanding the future learning needs of a complex, post-reform APS is central to the design and delivery of relevant public
management education targeting the APS. This requires an understanding of its future direction. In all likelihood the APS will continue to be dominated by the ideology of managerialism, as the hand maiden of economic rationalism, with its organisationally-naive faith in idealized market forces and with its hidden dimensions of the psycho-cognitive politics of markets (Ramos, 1981), despite continued questioning (Carroll & Manne, 1991; Horne, 1992), because the battle over the inculcation of managerialist rhetoric, if not the war over adoption of managerialist practices, has probably been lost. The APS would certainly seem to be moving towards Halligan and Power's (1992) crypto-managerialist (nee post-managerialist) "political management" ideal-type regime. Whatever ideal-type regime prevails, however, will have its ability to address systemic complexity quickly and thoroughly tested. APS is no longer a centralized, even homogenised, structure premised on Westminster ideological and institutional prescriptions. In reality, it is structurally fragmented with a high degree of differentiation in terms of the co-ordination, implementation, control and accountability mechanisms in operation. A recognition and acceptance of this systemic complexity is central to an understanding of the conditions under which failure occurs in managerial co-ordination and policy implementation (Lindblom, 1977; Perrow, 1984). The gaining of this recognition and acceptance, however, is being inhibited by the all-too-obvious and long-prevalent organisational illiteracy of much economic, political and, even, social analysis (Ahne, 1990), combined with a gentle nostalgic inclination, especially within parliamentary circles, to see the future in terms how the APS might once have been administered.
The complexities of managing a complex politico-administrative system are undervalued in the simplistic prevailing managerialist wisdom that, in Painter's words (1988:1),

... something called 'management' is a generic, purely instrumental activity, embodying a set of principles that can be applied to the public businesses as well as in private business."

The concept of complexity, itself, has not been well-served by the social sciences with its reductionist inclination, most notably in economics but also evident in public administration (Kaufmann, 1991; Kouzmin, 1980b; Loasby, 1976; Marini, 1971; Overman, 1989; but see Kickert, 1993; Kiel, 1989 & 1993). Neither discipline has been at all experimental with respect to wider, or even alternative, patterns of politico-administrative guidance, monitoring and control, as distinct from patterns of service delivery (Daneke, 1990; Kaufmann, 1991; Kettl, 1990; Scott, 1985; Shangraw & Crow, 1989; White, 1989; also Ventriss, 1989). Required is a concerted, interdisciplinary and ideologically sensitive broadening of epistemological boundaries and agendas (Peres, 1968). Lundberg (1990a: 675) has argued that organisations of the future should be "configurations of form" to match "multiple contextual circumstances", which would produce alternative conceptualisations of the public manager's role, attributes and "managerial artistry" (defined as the required mix of managerial competencies and meta-competencies). The absence of such alternative managerial conceptualisations reinforces the power that derives from the routine application of virtually unchallenged ideological, economic and administrative assumptions that underpin the reductionist frameworks that continue to influence contemporary analysis of public management education, which is seen to be a hand maiden to the prevailing managerial conceptualisations (Graham, 1989; Savoie, 1990).
The public sector generally, no less the APS, and particularly public management education, has for far too long been the victim of the "rhetorics of intransigence" (Hirschman, 1991: 168). There is now a need to move discourse beyond intransigent positions, not only in the hope that a broader views will emerge on both the nature of politico-administrative systems and their interface with the institutions of representative democracy, but also in the hope that such broader views will find a more central place in the discourse on public management education, not to mention political and administrative discourse (Rosenthal, 1990). The eternal hope is that there will be less of a "dialogue of the deaf" (Hirschman, 1991: 169) between practitioners and academics (and even amongst disparate academic interests), with the outcome being improved public management education.

There are many challenges that education institutions delivering public middle-management education to the APS. These include the issues of:

- ensuring that public management education is oriented towards:
  - organisational needs, in terms of costs, outputs and performance, without jeopardizing its intellectual integrity; as well as
  - the personal learning needs of practicing and experienced public middle managers;
- focusing middle managers' educational expectations on learning *per se*, not just the acquisition of knowledge, or even worse, of qualifications, so as to allow them to
function effectively in an environment that stresses continuous personal and professional development (and multi-skilling);

- deciding whether and how to give experiential learning academic credit recognition (by assessing new experiential learning or by the granting of advanced standing for past experiential learning); and

- providing clear evidence that management education can provided public middle managers with the capabilities required to enhance management competencies and even management and organisational performance (Wills, 1983).

APS agencies are already entering the management education market to purchase educational services that they believe meet their own and their staff’s needs. The external tendering for such programs creates immense challenges, both for increasingly professionalised human resource development units within APS agencies and for tertiary institutional suppliers. For the former, the challenge is to ensure that executive management’s expectations of the learning outcomes generated by externally-provided public middle-management education are met. For the latter, the challenge is to achieve client-specified managerial and organisational outcomes, which, of course, means teaching for, not just about, public management, even though how this might best be done can be interpreted in a variety of ways. For both parties these are entirely new, not to say threatening, challenges. Colbatch and Lamour (1991: 172) encapsulate the relevant learning issue in two practical questions:

When the educational task is defined in this way, as the possession of defined attributes rather than the transmission of a
particular body of knowledge, the question becomes whether the teaching should be organised in terms of these attributes, or whether these are the outcomes of an educational program organised in some other way? Should the teaching program consist of small modules - e.g. modules on 'leadership' or 'communicating change' - or should it consist of more conventional university subjects, with these attributes being developed in the course of the program perhaps over a number of 'modules'?

Public management education must confront significant issues of epistemology, andragogy and ideology, if it is to successfully balance the management development needs of APS agencies, the learning needs of practicing public managers and its own need for intellectual rigour and integrity (Colebatch & Lamour, 1991: 171; Kouzmin & Dixon, 1992). As Clarke (1991: 181) pleads:

The two sides of the equation must be balanced to achieve positive outcomes. It is from the interaction of the practitioner and the academic that a significant stream of public sector management improvement will flow. We practitioners must learn to share with our academic colleagues the insights which derive from our experience and thus have input into course design and delivery, ensuring maximum benefit to our managers and organisations. Academics must learn to root their offerings in the marketplace, actively seeking out inputs from practitioners while maintaining standards of excellence.

For public management educators to ignore this challenge, it might be argued, is to legitimate the view that there is no value in public
management education as a means of enhancing public management and organisational performance. Within this context, and drawing from his experience in the 1980s, Fisher (1990: 139) identifies three deficiencies in higher education's efforts to meet public sector learning needs, all of which have a relevance for public management education:

- inadequate input by public sector employers into course planning and curricula development;

- a lack of a national forum where employers and higher educational institutions can jointly and systematically review course structure, curricula and pedagogical developments; and

- no systematic evidence is offered to document whether or not graduates "have been significantly more successful in public sector careers than non-graduates."

The first of these criticisms can be ignored by the academic community only if it does not wishes to contribute explicitly to the preparation of its graduates for public management responsibilities, as distinct from teaching them about public administration, public policy or public management. (Whether practitioners should become contributors, themselves, to a public management learning process is a different, and more problematic, matter (Chauhan & Hibbeln, 1987).) The second criticism begs a variety of questions about the autonomy of universities and threatens the concept of academic freedom. The third criticism presumes a role for higher education that is debatable. In any event, Fisher's perceptions reflect the school of thought that sees higher education as the hand maiden of improved job performance. The academic community, by and large, does not see its self as being quite so instrumentally focussed, preferring to see its
mission more Newmanesquely as thought or reason exercised upon knowledge (Newman, 1982 [1852]; also Jaspers, 1965; Wyatt, 1990; but also Bok, 1982; Niblett, 1974; Scott, 1984), although the issue of evaluating the outcomes of educational per se cannot be readily ignored (Faerman & Jablonka, 1990; Lee, 1991a, Poister & Ingraham, 1991; Sink, 1991). A move by both sides to an acceptable position in the middle ground may well be required if higher education is to adequately service the management development needs of APS agencies.

Purveyors of public management education programs are, indeed, facing interesting times and some fascinating challenges.
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