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## Government and governance

### 2.1 Introduction

The business of government is big business in most economies, commonly dwarfing in size and reach of even the largest of the private sector entities. Viewed as a business within its own domain, government has a monopoly over many activities, although viewed in international terms it is invariably one of many competitors seeking to attract capital and build a competitive economy. As a large administrative organisation and consumer of resources it is important for the nation's competitiveness that the government's choice of activities, and the execution of these choices, meet community needs in a cost-effective manner. For democratic governments today, that means mixing monopoly and competitive elements in the administration and delivery of its chosen activities.

For some of its purchasing activities, probity and security interests mean that the government establishes and purchases requirements from a single supplier. But for the bulk of its requirements, where no such concerns arise, governments willingly purchase in competitive markets, either at home or offshore, where government or citizens are the end consumers of the products. I am interested in how, in the business of government, boundary lines are drawn, activity choices made, and resources allocated.

This chapter focuses on the various high-level choices that political parties make between policy frameworks, programs and services, and the mix of public service and third-party involvement settled on in the implementation of government programs. In particular, I focus on the

way in which the various characteristics of government goods and services and the markets into which they are supplied shape these choices. These same elements – product and market characteristics – are also important in the determination of the competitive positioning of the public service and organisational structures that can be employed to manage and deliver the chosen services. I am therefore interested both in the contribution that the public service makes to these choices at the ‘in-principle’ level, ranging down to the program and services levels, as well as being interested in the competitive environment that this establishes for the public service.

My starting point is a description of the activities of government. There are some ‘in-principle’ matters to consider here about the role of government and the institutional framework, along with product and market characteristics, which contribute to the role allocated to the public service. These structural elements of the government business marketplace have been largely unchanging for decades, although the context in which they play out has changed substantially. In the second part of the chapter I look at the way in which the strategic management focus of governments has shifted over the last 30 or so years and the consequences that has had for the business of government. I do this through an examination of the evolving governance models employed by governments over this period.

## 2.2 The public sector and its services

### 2.2.1 The public sector task

A critical part of this analysis is to consider the nature of the public sector task and the consequent notion of ‘public services’. The challenge chosen by government and the nature of the consequent services undoubtedly shapes their optimal organisational form, the strategies employed in their effective delivery, and government performance.<sup>1</sup> Budget size can be readily accommodated as a central measure of the public sector task, but one feature of the public sector task that makes it different to that of many

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1 ‘Performance’ – for both government and the public service – should be conceived not simply in outcome terms but also relative to the size of the challenge embraced. It may be useful then to distinguish between ‘performance’ and ‘contribution’, where the former is conceived of as relative to the chosen task, and the latter is conceived of as independent of this task. Thus a government that sets itself modest targets may perform well but contribute little, whilst a government setting itself stretch targets may perform diffidently but contribute a lot.

private sector multi-business entities is the necessary common linkages that exist between service offerings, both within and across business unit lines, in the provision of services and solutions to end consumers.<sup>2</sup>

Ideally, quantitative tools can measure the complexity of the aggregate task of government to enable a full discussion of the key features of ‘the contract’ between the government and the public service (and the public), both in terms of the challenge taken on and broader perceptions of the challenge of government. The academic literature shows that there have been attempts to provide guidance here; for example, Head and Alford have created a two-dimensional scale of complexity and diversity that might lend itself to quantification of the public sector task (Head & Alford 2008). In the absence of any broad-based measures of the diversity and internal complexity of the public sector task, however, it is necessary to rely on structural dimensions of the public sector, such as its institutional arrangements, and the chosen mix of strategy, structure and activities – supported by case studies – for insights into the challenges and performance of the public service.

### 2.2.2 The nature of public services

There are many different ways of describing the set of public services delivered by government departments. They might be described in terms of the attributes of services; the policy/program/service/client hierarchy; the structures used to deliver them; the various classes of recipients; the objectives of the interventions; and the economic and social foundations on which governments choose to intervene in the economy. Arguments about natural monopolies, public goods, and externalities generally fill the economic space, whilst efficiency, effectiveness and equity considerations are commonly the focus of public sector management discussions around policy/program settings and the choice of service delivery methods. More recently, interest has turned to greater community engagement in the processes of government, the collaborative methods (both internal and external) that could be used to deliver better services, and to the companion valuation of the benefits of these interventions through

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<sup>2</sup> These dependencies do commonly arise within the private sector where, for example, a multinational company will use a country-based structure to organise its global activities but overlay this with a matrix management structure to manage its individual business lines at a global level. What the multinational and the public administration have in common is the uniting of their activities across core business unit lines to serve the customer.

the notion of public value. The focus of this attention has been on the effectiveness of government services after over a century-long focus on private sector notions of efficiency.

The hierarchy of public service activities is services, programs, policies, portfolios, departments and whole-of-public-service activities. Several practical examples illustrate the nature of public sector services and the aggregation difficulties. These examples also point to organisational demands that diverse services create individually and collectively. The first is indicative of intra-department public sector coordination difficulties, whilst the second illustrates the breadth of one of the more complex social and economic problems facing the Australian Government: the need for cross-department coordination. I look briefly at public services through the lens of transaction-cost economics, providing a further perspective and insights that are useful when I come to discuss the competitive positioning of the public service.

Consider the following media release from Tasmanian Minister for Human Services Jacquie Petrusma on 19 June 2014:

The current human services support system has many strengths, however, there are some parts that remain fragmented, uncoordinated and difficult to access. It is not uncommon for a family to have 10 different case workers across government and the community sector. Our election commitment was to deliver a new, joined-up support system in partnership with the community sector. This approach will deliver: a shared entry point and assessment for government and community delivered services; a lead worker for complex cases to build networks of support around individuals and families; and, a system with an outcome-based focus, working with families and individuals on their strengths and goals and getting results.

An even more lucid reflection of the challenge is presented in the 2014 report into Indigenous disadvantage in Australia prepared by the Productivity Commission for the Steering Committee for the Review of Government Service Provision, which presents a sobering picture of the complexity of the problems, one might say labyrinthine, being addressed in this field. This complexity is evidenced by the 12 'headline indicators' underpinned by some 40 lower-level indicators grouped under the seven headings: governance, leadership, and culture; early childhood development; education and training; healthy lives; economic participation; home environment; and, safe and supportive communities. These seven strategic areas are complex problems of

considerable magnitude in their own right, spanning many of the government's major portfolio and departmental activities (Productivity Commission 2014b).

There are many further ways in which services might be classified. They might be considered as tangible or intangible, even visible and invisible; they might be classified according to their demand characteristics (e.g. available on demand or targeted), their consumption characteristics (the experiences they deliver), and their mode of service delivery (e.g. electronically or in person); they might be 'co-produced' and created at the point of consumption or predetermined; or they might be classified according to their underlying technology type and intensity. Of special relevance is a distinction made by Miles (2005, p 441) regarding innovation in services in the *Oxford handbook of innovation*. Miles examines services diversity and highlights the extent to which services are standardised or specialised to individuals, further noting opportunities for individuals to participate in the design and production of services in the latter cases.

The simplest case of public services is of a single, clearly defined service, delivered by a single service provider to a clearly identifiable customer, in a single location. This might be a financial counselling service delivered to a small business owner; delivery of a letter by Australia Post; the payment of a subsidy to an aged care facility for an eligible resident; an income tax assessment prepared by the Australian Taxation Office for an individual; or the renewal of an Australian citizen's passport. As should be clear, however, many variations are possible around this simple service design and delivery model: they may be tailored to the individual (e.g. in the field of law and order); there may be several organisations involved in the design of a single service (e.g. placing children with foster parents where police checks are required); there may be multiple services (and organisations) involved in delivering services to citizens (e.g. those threatened by domestic violence); there may be multiple physical and electronic locations involved (in, for example, addressing criminal activity); and there may be a multiplicity of customers (e.g. 'the Australian community' who are the focus of defence, border control, and counter terrorism 'services').

Of particular interest is the degree of difficulty added to this mix through the participation of multiple government departments and agencies, culminating in the delivery of services to multiple individuals. A succession of local and international auditor-general reports continues to note the increasingly required level of this interaction, and the growing

need to maintain effective governance over third-party and joint service delivery.<sup>3</sup> Multiple examples of the complexity of public sector service provision are provided by the Productivity Commission's reports on government services (ROGS) that are prepared annually for the Council of Australian Governments. The primary purpose of the report is to provide government with information about the equity, effectiveness and efficiency of government services (with a secondary purpose being to promote public accountability). The current focus of the report is on social services, which account for some 67.9 per cent of budget expenditure (Productivity Commission 2016b).

In its 2016 report, the Productivity Commission noted the growing emphasis on the management of policy issues that cover more than one service sector, service area, or ministerial portfolio. The commission identified 16 broad service areas held together by common or similar objectives across jurisdictions grouped together into six sectors (childcare, education and training; justice; energy management; health; community services; housing and homelessness). Having grouped the 16 broad service areas together into these six sectors, the commission noted the existence of 'cross-cutting and interface issues' at three levels: within individual service areas placed in a sector, across the service areas placed in each of the six sectors, and across the boundaries of the six sectors.

The magnitude of the challenge of linking public services and providers across service, program, policy, even portfolio and sectoral lines, and establishing effective governance, is a distinguishing feature of public sector activities. Careful consideration of the respective distinguishing characteristics of public and private sector activities would today most likely place such streamlining as *the* distinguishing feature of public administration operations. Although, as I argue in Chapter 5, it has almost certainly become a bigger problem than it needs to be because of the fragmentation of the public service and the missing strategy and structure linkages. It is a feature that, given today's structures, is extremely difficult to address from the optimal position of a whole-of-public-service level, given that it is the department, not the whole of public service, that is the decision-making unit vested with greatest authority. And, as Michael Porter points out, in such circumstances in a private sector

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3 See, for example, Hehir (2016).

setting, unless otherwise motivated or mandated, it is to be expected that individual business units will pursue their own goals rather than whole of organisation goals (Porter 1985).

Some of the practical challenges for public service management include problem definition, the joining up of services, the generation of solutions (not just services), organisational structures, and performance measurement and management. Clearly, the organisational challenges of delivering services to end consumers of public services can be complex, especially when multiple work units are involved in delivering programs and services, even within single government departments, let alone across government and sectoral boundaries with external parties. Finding ways to systematically address the breadth and depth of the management challenges organisationally is important whether through the use of matrix management, project-based teams, traditional public service cooperation, collaboration, or even super departments and flexible organisational structures. Any such organisational tool must, however, address interrelated sharing and accountability issues: service/program management, resourcing, internal communication, performance measurement, and reporting – including the sharing of results.

It is difficult to foresee the implications of the product characteristics of public services for the respective roles of the government and the public service, without understanding how they play out in service delivery; that is, in the meeting of end consumer needs. Oliver Williamson's work on transaction costs provides further insight into the challenges associated with the nature of public sector services. This work is of interest because it links service characteristics with the choice of an efficient organisational form to approach these challenges (Williamson 1999).

In an article examining the role of public bureaucracies, Williamson considers how an organisational form that is so widely used can also be regarded as inefficient? (Williamson 1999, p 306). To address this question, Williamson assesses the public agency's suitability for particular transactions. He proceeds to compare the efficiency of public and private sector bureaucracies, first noting the diversity of public sector transactions, and then considering the question in the context of the class of sovereign transactions and the particular case of foreign affairs. Making this choice, he argues that the study of extremes highlights the essence of

the situation, and points out that almost no one recommends that these (foreign affairs) transactions be privatised; Williamson asks why is this so? His multi-layered argument in response is as follows.

Williamson argues that the basic unit for analysis of alternative organisational structures should be a transaction: that the key attributes of transactions are asset specificity, uncertainty, and frequency, and that a comparison of the efficiency of organisational forms can be made for any class of transactions from a comparison of public and private sector bureau attributes. Underpinning this analysis is Williamson's focus on the ability of the parties to enter into a contract that suitably encompasses any arrangement to outsource service delivery of any sort, whether of sovereign transactions, human services, or even transport services. The more routinised is the service, the more capable of entering into a complete contract are the parties concerned (although Williamson argues that all contracts are incomplete to some degree). The more diverse and unpredictable are the services required, the more difficult it is for the public agency to enter into a binding contract because of an inability to specify the quantity of services and any sort of standard rate; in extreme cases, this uncertainty so dominates any prospective contractual relationship that the details of any such arrangement can only be readily determined *ex post*, thereby exhibiting very poor cost control properties, which leave the public sector little choice but to deliver such services in-house.

Having laid out these concepts, Williamson next argues that the skills required to conduct and maintain the foreign affairs activities of any government are necessarily specific to the task, and cannot readily be found and replicated (in the quantities required) in the private sector. He argues that highly specific asset investments, such as are required in the case of foreign affairs – both by the individuals who pursue careers within this specialised field and the government that similarly invests in the function – give rise to a high degree of dependence between the government and the public service, and strongly favours the delivery of such services from within. Moreover, the case in favour of the public bureau as service deliverer is further strengthened by (a) the presence of incomplete contracting in the face of uncertainty about the task, (b) the requirements for a dedicated governance regime, and (c) the need for both privacy and probity in foreign affairs transactions (and the governance regime).

It can be seen from Miles' survey of the field of services, and Williamson's description of the key attributes that might best enable a choice of organisational form for the delivery of public services, that there are a number of dimensions that should determine this choice once the nature of the government intervention is decided. In the case of standardised transactions and services delivered to clearly identified customers, the basis of choice is relatively straightforward. But once there are multiple and overlapping services (to one or more customers) involved, multiple agencies/sectors, and customised services, the challenges of effective service delivery multiply, and along with it the challenges of specifying a contract that enables successful contracting out of the delivery of such services. All of these characteristics are exhibited by the foreign affairs case studied by Williamson.

When considered in these terms, the characteristics of public services, both in production and consumption, are critically important to their effective delivery and it is not difficult to develop a picture of the complexity of public sector production and delivery of services through the successive application of Williamson's approach to the various activities/interventions chosen by governments. In the absence of hard data on which to base an analysis, and companion data about the extent of contracting out, it is possible only to speculate on the extent to which public services might be regarded as routinised rather than customised in practice. What is clear is that it is the dominance of social services on the expenditure side of government budgets where complexity is most likely to occur. But complexity is present in a broad range of service types. An important source of this occurs because of the simple requirement for departments to share information. Examples may include:

- the Department of Human Services and the Treasury (Australian Taxation Office) sharing information in the determination of age pension entitlements
- the corporate regulatory agency sharing information with the industry department about the eligibility of applicants for business grants (e.g. records on disqualified directors)
- Human Services wanting to check the police record of parents for their foster care program
- counterterrorism authorities wanting to check both other national authority records (e.g. Australian Border Force, the Australian Federal Police), and state authority (e.g. Police) records in regard to individuals who have come to their attention.

The need for day-to-day accumulation and sharing of information across government boundaries has no parallel in the organisation of private sector business, and is an important example of the need for departments to cooperate in the design and delivery of public sector services and solutions.

### 2.2.3 Government today

I will make some brief comments here about how governments go about structuring the business of government into departments. The first point to note is that the 18 departments listed below service 30 ministers, 12 assistant ministers, 37 ministries, and 16 portfolios. Each portfolio is a set of related ministerial responsibilities usually serviced from within one department; ministers often hold more than one portfolio and may be serviced by more than one department.

Table 2.1 Australian Government departments

Attorney-General's Department	Services Australia
Department of Agriculture and Water Resources	Department of Industry, Innovation and Science
Department of Communications and the Arts	Department of Infrastructure, Transport, Cities and Regional Development of Social Services
Department of Defence	Department of Social Services
Department of Education and Training	Department of the Environment and Energy
Department of Finance	Department of the Prime Minister and Cabinet
Department of Foreign Affairs and Trade	Department of Veterans' Affairs
Department of Health	Treasury
Department of Home Affairs	Department of Employment, Skills, Small and Family Business

In practice, a number of principles compete in the determination of the overarching departmental structure (number of departments, number of portfolios, and portfolio allocation). This includes: the number of suitable ministerial candidates; the number of separable portfolios; the respective emphases the government wishes to place on particular whole-of-government activities, portfolios (and ministers); the matching of prospective departmental heads with departments and ministers; the perceived need to add new functions to the role of government; the desire and appetite for change; and identified opportunities to improve the

efficiency and/or effectiveness of government. The ongoing application of this set of principles is likely to be reflected in little change for some departments for decades, regular and substantial change for others, with some portfolios and parts thereof almost guaranteed a change of department at each change of government, if not election.

The activities of the individual departments vary enormously in scale and scope and, consequently, in terms of their contribution to the business of government. A common core of outputs includes policy advice to ministers, the delivery of services to citizens, advice to ministers about portfolio matters and whole-of-government responsibilities, and supporting departmental administration; there may be a number of executive agencies attached to portfolios focused on service delivery. Additionally, there are stakeholder management responsibilities that may be of any or all of a portfolio, ministerial, and whole-of-government nature. Within this common set of functions, however, there are significant differences in the balance of the internal management tasks depending on the policy/regulatory/service delivery balance of the portfolios, along with associated differences in the external interface with customers and stakeholders.

The 18 Australian Government departments cover a broad sweep of fields, ranging from schools, hospitals, prisons, public transport through to national parks and highways, national security, border protection and international affairs, child protection, domestic violence, economic policy, budgetary management, export market advice, small business advice, and tourism marketing. Public services may be visible and delivered directly to individuals and non-government organisations; they might involve services to ministers, other departments, and the community at large; they might be standard or customised to the needs of the individual; interactive and co-produced. They may be personal or IT-based in their delivery; they may be largely indivisible (and invisible), such as in national security and defence. But they are all ‘public services’.

Importantly, there are many different administrative/organisational arrangements accompanying the delivery of public services, whether delivered by or through departments or other government agencies. Whilst many services will be delivered under policies for which the individual department is wholly responsible, many others will be delivered as part of a broader whole-of-government policy, both in conjunction with other government entities and across sectoral boundaries. In addition, services may be delivered directly to individual end users – an export subsidy

to a small business, for example – while others may be delivered to the community at large; for example, ‘the services’ from government advisory and regulatory bodies such as the Australian Competition and Consumer Commission. These can be regarded as indirect services.

Governments may also deliver services directly through departments or associated executive agencies, fund external providers, form partnerships, and/or use other mechanisms including subsidising users, impose community service obligations, and provide incentives to users and/or providers. These separate choices and their aggregate are important for their implications for the departmental capabilities and organisational structures needed both to identify policy options, make choices, and then give effect to them. For example, the individual choices made about outsourcing services (or functions) impact the aggregate balance of capabilities required between customer interface and contract management skills.

Table 2.2 Recipients of public service outputs

Customer group	Public service ‘outputs’
Ministers	<ul style="list-style-type: none"> <li>• provision of policy advice (individual policies and overview)</li> <li>• management of service delivery</li> <li>• stakeholder consultation</li> <li>• assistance in fulfilling ministerial accountability obligations to parliament</li> <li>• government governance</li> </ul>
End consumers and the community at large	<ul style="list-style-type: none"> <li>• direct goods and services, and indirect services, delivered on behalf of the government</li> <li>• community consultation and involvement</li> <li>• provision of frank and honest advice to the government. Protection of the national interest</li> <li>• taking a long-term view (‘enduring beyond individual governments’)</li> <li>• ‘seeing’ all Australians</li> </ul>
Parliament	<ul style="list-style-type: none"> <li>• provision of information to parliament consistent with ministerial responsibilities and committee processes</li> </ul>

Table 2.2 addresses the consequent matter of public service ‘outputs’. Key public service outputs include services delivered to citizens and advice to ministers on policy and service delivery matters: this advice may span departmental and whole-of-government activities. It is particularly important to recognise that, whilst an output such as ‘policy advice to ministers’ may be no more than a single line entry in most departmental

annual reports – amongst pages devoted to program outputs – it lies at the heart of the public service role and underlines the public service’s capacity to properly serve its political masters across the full spectrum of public service activities. It is the public service’s ability to see each of its activities within the broader spectrum of its whole task that is the basis of its competitive advantage.<sup>4</sup> Departmental activities also include implementation of portfolio policies, advice on the achievement of particular policy objectives, consideration of the impact on the department of implementation of policies in other portfolios, and the overall monitoring of outputs and impacts of ministerial/portfolio policies.

All of these activities are directed by the public service to the government (ministers) in its role as final arbiter of the portfolio of policies directed to enhance community health and welfare. With regard to the dictates of the Public Service Act, however, caution must be used in arguing that the Australian public is served by the Australian Public Service (APS) through service to the government. The Act suggests recognition of a direct relationship between the public service and the Australian public, not simply one conducted through the government as an intermediary.<sup>5</sup> This interpretation makes more sense the longer the time frame of the analysis, and the desirability of the public service playing a role in the protection of the national interest – namely, taking a long-term view, enduring beyond individual governments, and, ‘seeing’ all Australians. Finally, ‘Parliament’ is added to Table 2.2 as a public service customer in recognition of the public service responsibility in Section 3(a) of the Public Service Act to ‘serve’ the Parliament, as well as the government and the Australian public.

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4 I also argue that attempting to outsource the activities of public administration may weaken the capacity of the public service to provide valuable advice to ministers across the full range of advisory, service delivery, governance, and consultative activities. I discuss this concept in Chapter 8 in terms of the economies of scope.

5 In Chapter 10 of his book *Delivering profitable value*, Lanning establishes a framework that recognises multiple customers, levels of contributions to organisational ‘profit’, and the benefit of developing separate value propositions for each participant in any value-delivery chain (Lanning 2000).

## 2.3 Governance, accountability and responsibility

### 2.3.1 The concept of governance

The term ‘governance’ is broad and flexible: it can refer to all manner of organisations and activities: it may be associated with a particular type of organisation (e.g. public, private, corporate, community-based, philanthropic); it may be associated with a ‘field’ (e.g. environmental, internet or information technology). And it is used in a range of different disciplines and contexts including finance, political science, public administration, business and sociology, with each of these disciplines tacitly relying on different assumptions. As Bovaird and Löffler point out:

There are few terms which are as vague in social science and in practice as governance. Yet this vagueness may also be the source of its current popularity as different institutions and individuals all ascribe their own meaning to the term. (Bovaird & Löffler 2003, p 316)

Bovaird and Löffler go on to make the point that any useful definition of governance must be context specific. Nonetheless, what these many uses have in common is the underlying concept of the administrative and process-oriented elements of governing. There are three general situations in the context of this book in which this term is used. The first involves its use in the expression ‘models of governance’, which is commonly used in the public sector literature. The second is that of corporate governance in the government sector, or more simply, government governance. The third involves the concept of governance of the public service, or public service governance. This is an important clarification because there are distinct differences between the practice of governance in public and private sectors and the capacity of the parties concerned to reasonably acquit their responsibilities to their stakeholders in this regard.

In the field of public sector management, interest in the term ‘models of governance’ arises substantially from the changes associated with, and following, the New Public Management (NPM) reforms to government around the world in the latter 1970s and 1980s; until then, there was only the traditional hierarchical model that had prevailed for much of the 20th century. Following these reforms, there have been a small number of evolutions in the style of government that have led to the whole period – from the foundations of traditional public administration in place at

the commencement of these reforms to today's increasingly networked style of government – being described in terms of a number of 'models of governance'.

They are described as 'models of governance' because their chief elements relate to the central processes of government, both internal and external, emphasising governance as structural and process accountability, rather than governance as performance. Indeed little, if any, real progress has been made on the latter front in the presence of much discussion on the evolution of the former. In effect, there is far greater emphasis on the formalities of governance than the provision of substantive effect to their intent.<sup>6</sup>

The second concept of governance is that of corporate governance in the government sector, or more simply, government governance. The meaning of this term can best be understood in relation to the origin of the term corporate governance, which can be traced back several hundred years to the establishment of companies in which ownership was separated from control. The concept developed out of the separation of management from ownership, and the need for the former to actively account to the latter for its stewardship of owners' capital. Just as there is no universally accepted definition of the word 'governance', however, there does not appear to be a universally accepted definition of the concept of corporate governance, although its essence should be clear from the above and, furthermore,

- As described by Bob Tricker, it is the way that power is exercised over corporate entities covering the activities of the board and incorporating its relationships with management, the shareholders, the external auditors and regulators and other legitimate stakeholders (Tricker 2015).
- As described by the Netherlands Ministry of Finance, it focuses on the achievement of an organisation's objectives on behalf of its stakeholders and the role of governance in creating incentives and safeguards to enable these objectives to be met (Netherlands Ministry of Finance 2000).

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<sup>6</sup> I remind the reader that my focus in making these comments lies with government departments and is not intended to embrace a broader range of entities, particularly the commercially orientated government business undertakings.

- In turn, the Australian Stock Exchange Corporate Governance Council emphasises the underlying systems and processes defining corporate governance as the ‘framework of rules, relationships, systems, and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies and those in control are held to account’ (ASX 2014).

Taken together, these definitions acknowledge the central role of holding to account those who exercise power in meeting an organisation’s stakeholder objectives. This concept is readily adaptable to the business of government, especially in regard to the various public sector corporations and statutory authorities. It is, perhaps, less obvious that this concept should be applied to that part of the business of government delivered through the set of government departments by ministers and the public service. Nonetheless, as the Netherlands Ministry of Finance working paper points out, the concept is potentially applicable to every organisation as all entities (should) acknowledge the basic ingredients of objectives and stakeholders, and a designated group responsible for delivering the one to the other. The question I consider is what, if any, differences there are between the concepts of public sector or government governance, and corporate governance?

A good place to start with this question is a definition of public sector (or government) governance. Former APS commissioner Lynelle Briggs’s definition of public sector governance is as follows: ‘the set of responsibilities, practices, policies and procedures, exercised by an agency’s executive, to provide strategic direction, ensure objectives achieved, manage risks, and use resources responsibly and with accountability’ (APSC 2007). Commissioner Ian Hanger adopted an almost identical definition in his 2014 royal commission report into the home insulation program (Hanger 2014). This (shared) definition is similar to those of corporate governance combining, as it does, the core elements of the exercise of power, the meeting of stakeholder objectives, and accountability. Content for this definition in the Australian public sector context can be provided through an examination of the primary acts under which the public service operates, namely the Public Service Act and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). Whereas the Public Service Act avoids using the word ‘governance’, the PGPA Act goes into some detail.

Together, these Acts assign primary operational responsibility and accountability within the public service to secretaries as head of departments ('agencies' within the meaning intended by the Briggs definition, and 'entities' within the meaning of the PGPA Act). The Public Service Act assigns specific responsibility to departmental secretaries for delivery of government programs, compliance with the law, engaging with stakeholders, assisting the agency minister to fulfil his/her accountability obligations for factual information to parliament, and (joint) stewardship of the APS. Under the PGPA Act, both general responsibilities are assigned (e.g. to govern in a manner that is financially sustainable, promotes the proper use of resources and the achievement of entity purposes), as well as specific responsibilities (including to prepare a budget and corporate plans; measure and assess the performance of the entity, including preparation of an annual performance statement; establish and maintain systems relating to risk and control; and prepare annual financial statements and an annual report).

Accountability for governance of the core business of government lies with individual departmental secretaries. There is, however, one fundamental difference between corporate and government governance in this regard, and it is central to the broader thrust of this book. For analytical purposes the core of government business, represented by activities of the set of departments and the public service, could easily be viewed as any other business with multiple divisions, not dissimilar to a large diversified corporation. This is not unreasonable given that (a) APS employees are seen to be part of one body established by an Act of parliament, and (b) the same legislation established a 'governing body' comprising the secretaries of the various government departments, meeting as the Secretaries Board, to oversight the activities of the public service.

The fundamental difference between the two is that private sector responsibility for governance in any multi-business unit organisation is seen to lie squarely with the board, not with the individual business units. Certainly, the individual entities in any multi-business corporation retain responsibility for governance within their own domain(s), but this responsibility clearly rests within a corporate framework of governance and reporting within which it is subservient. Clearly, prime responsibility for delivering governance of the activities of the public service conducted on behalf of the government is intended to lie with the individual secretaries, rather than with some overarching 'corporate' entity or 'centre' such as the Secretaries Board, which does not have systemic responsibility for

governance assigned to it and is a 'board' in name only on any reasonably comparative basis with private sector boards. This conclusion has major implications for the future operations of the public service, for its strategic direction, its cohesion, and its ability to serve all stakeholder groups nominated in the Public Service Act.

The consequences of an absence of corporate governance in public administration, leaving it largely to the individual departments, can be seen in a 2010 UK National Audit Office (NAO UK) report focused on the costs of reorganising 90 government departments in four years. The audit office found that most government departments did not prepare a business case for change, that they were weak at identifying benefits of change, that there was no standard approach for preparing and assessing business cases, and that they could not demonstrate value for money. In addition, the NAO UK found that the costs were 'far from negligible' (costing around 200 million pounds per year before accounting for lost productivity), that reasons for change were poorly articulated, and that the reorganisations inevitably involved the disruption and loss of service, partly because they were often announced before plans were in place necessitating simultaneous planning and implementation (NAO UK 2010).

Richard Norman and Derek Gill reached not dissimilar conclusions with regard to restructuring in New Zealand's state sector, determining that restructuring: (a) was mainly initiated by public servants rather than governments, (b) had become 'almost an addiction' and a tool to be used to be seen to be 'taking charge', (c) treated organisations as mechanical objects with interchangeable parts rather than as living systems (unfortunately encouraged by the use of the term 'machinery of government changes'), and (d) could be a barrier to more effective inter-agency working. Their recommendations include a 'pause for thought' and assessment of whole-of-system impacts, treating any such proposal on a whole-of-system capital expenditure basis, and having regard to the full set of human resources implications of restructuring. The authors also draw some perspectives from the literature on restructuring, noting in passing that structure was seen as a means of aligning organisations with strategy (Norman & Gill 2011, pp 262–78).

A joint Parliament of Victoria – Legislative Council committee made similar findings. Reporting in May 2016, the Legal and Social Issues Committee investigated the costs of the substantial 2014 machinery of

government changes: 9 departments reduced to 7; 17 new portfolios, 25 extinct or merged, and 26 unchanged. The committee regarded these costs as substantial, and found that there was no formal requirement for departments to track these costs, which resulted in inconsistent and incomplete reporting; and that indirect costs were neither recorded nor accounted for. The central recommendations were that either or both of the Department of Premier and Cabinet and the Department of Treasury and Finance work with the auditor-general of Victoria to develop and implement an integrated reporting model.<sup>7</sup> While such a model was subsequently developed and released, it is primarily an implementation manual for public servants and will not address any of the important governance concerns raised by the Victorian Government parliamentary committee and the NAO UK.<sup>8</sup> Clearly, the Victorian Government does not wish to be accountable for public service restructuring and, in the light of the conclusions from the above noted studies, with good reason.<sup>9</sup>

There are several observations to be made in the comparison of corporate and public sector governance before moving on to discuss the public sector's models of governance. The first is a consequence of viewing responsibility for public sector governance as the simple aggregate of individual departmental responsibilities, as it ignores the governance implications of the major problem of public administration today, which is identified in the academic literature and multiple auditor-general reports as management of the set of vertical and horizontal coordination challenges that cross agency and sectoral boundaries.

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7 Parliament of Victoria, *Inquiry into machinery of government changes*, Legal and Social Issues Committee, 2016.

8 Department of Treasury and Finance, *Victorian public sector operating manual on machinery of government changes*, State of Victoria, 2016.

9 My own experience of 'restructuring' covers both private and public sectors. My early introduction to it was at a manufacturing company ACI – a large listed Australian company that, in the early 1970s, expanded its product range and market coverage in the face of competition at home as it changed from a functional to a divisional structure, as was fashionable at the time. In the public sector I experienced departmental realignments resulting from machinery of government changes, and individual departmental restructuring initiated by departmental heads. The former were usually initiated to signal a change in government priorities, differing ministerial interests/capabilities, and to address cross-agency coordination issues (the super-department is the latest antidote for the latter). In the case of departmentally lead restructuring, the motive was usually to change the executive team (by restructuring out those who did not have the confidence of minister/head, and restructuring in those who might at least start with it), or be seen to be 'doing something'. In the case of departmentally led restructuring, the focus seemed always on people rather than strategy.

The second observation goes to the requirement of the Public Service Act that the public service serve a triad of stakeholders comprising the government, parliament and the Australian public. Most discussions of public sector governance only address government governance and the role of the public service in this. The public service in Australia, however, has equal responsibilities to these two communities, and without closer examination it would be rash to assume that a public service acquitting its governance responsibilities to the government of the day will consequently acquit its responsibilities to the parliament and the community at large.

Indeed, conflict between the three is regularly publicly observed in Australia in the form of: government reticence to publish business cases for major infrastructure decisions; the poor performance under state and national freedom of information Acts (gross failure to meet response-time targets); and in the determination of governments to label as many documents as possible 'commercial-in-confidence', thereby limiting parliamentary and public access to their contents. Given the importance of good governance to effective government, and the need to actively build trust in government, it would be reasonable to expect the public service to have a plan to acquit its responsibilities to the parliament and to the Australian public, sitting alongside a plan to acquit its responsibilities to the government of the day.

The third observation relates to the ambit of good governance in the public sector. Much of today's discussion around government governance tends to concentrate on the act of governing, the structures, the actors and the relationships to the exclusion of performance measurement. As a consequence, public administration is still struggling to deal with the development of effective output measures let alone impact, outcome, whole-of-policy, or public value measures. Yet, even in regard to performance measurement, a typically narrow view of its importance is taken with a focus on the various dimensions of service delivery. A Netherlands Ministry of Finance paper points to interest in improving public sector governance in an increasingly broader context: raising their sights from the traditional focus on operations to include the very important policymaking functions of government. The paper then develops a framework for the governance of policymaking areas. This is of course a major area of conformance that has substantial performance implications, and is an important reminder that the major benefits that governments dispense are invariably dispensed not through the contracts for asset purchase and service delivery, nor indeed to end consumers,

but through the policy decisions made, and which should demand the same level of scrutiny (more perhaps) as any other purchasing activity (Netherlands Ministry of Finance 2000, p 8).

The final set of observations concerns the organisational dimension of governance. The particular importance of whole-of-government governance in this context goes to the observation by the Australian National Audit Office (ANAO) that government policies transcend the activities of individual operating units (e.g. departments), and increasingly necessitate the involvement of a range of government and non-government participants to deliver targeted policy outcomes (ANAO 2014a). This is reflected in the fact that a primary objective of many public sector reforms over the last two decades or more around the globe has been to ‘join-up’ government program design and service-delivery activities and network with a range of external and internal players in their design, development, and execution. As the public service has a major contribution to make to good government governance in the design and execution of policy and program management across organisational boundaries, along with complementary administrative systems, it is important that it actively and holistically manages itself in this regard. I argue that the public service should see itself as an entity separate from government, as an integrated organisation rather than as a loose federation of departments, requiring established objectives, strategy and governance procedures, just as any other large organisation should do. I also assert that the Public Service Act establishes the APS as a separate organisation, that the matter of alignment of government and public service activities is something to be scrutinised from a public policy perspective, and that it is in the public interest for the APS to look beyond the prevailing master–servant relationship that underlines today’s relationship.

I also argue that this position – of a separate public service – is absolutely necessary in the face of widespread contestability of public administration activities and is made all the more necessary by the greater diffusion of authority across the business of government. My final observation, then, in regard to public sector governance, goes to the concept of public service governance and the need for the public service to behave as any other organisation would, in setting its own objectives, developing its own strategy, preparing an annual business plan, and putting in place

governance arrangements to secure performance against its plans.<sup>10</sup> This is critical to meet the growing challenge of managing and accounting for these cross-boundary, cross-sectoral collaborative arrangements.

By providing a number of pointers to the effective execution of such arrangements – including managing shared risks, aligning the vertical, horizontal and whole-of-government accountabilities, the sharing of resources and accountabilities and the necessity of entering into written agreements to formalise such arrangements – the ANAO guide highlights the difficulties of successful collaborative management in the public sector. It is also critical if the public service is to grow. If the government has made the APS a competitive enterprise, it will continue to wither unless it also enables the public service to compete.

### 2.3.2 Accountability and responsibility

Accountability and responsibility are terms that are often confused in discussions of governance. The distinction between them is best drawn in terms of the person who is ultimately answerable for an activity (accountability), and the individual(s) who actually undertakes a task (responsibility). Thus, someone who is answerable for the completion of a task (i.e. accountable) may allocate the completion of this task to another, who is responsible. Grasping this distinction is important to an understanding of the relationship between the public service and the elected government. Thus, whilst governments are ultimately answerable to the electorate for their choice and implementation of policies, and individual politicians to the prime minister, the public service is invariably responsible for service delivery and, within the confines of government, senior public servants are held accountable for the quality of their endeavours.

A particular feature of government in Australia is evidence of responsibility without accountability. In government inquiries into failed programs, it is often possible for the inquirers to identify the individual or individuals responsible for undertaking the failed endeavours but invariably much harder to find someone to hold accountable, either because of blurred and/or crossed lines of authority, or because a committee exercised the

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10 Even if the public service did not see itself as in competition with any other organisation it should want to compete (a) with its own history, and (b) through demonstrated competence, with taxpayers for a larger slice of their funds.

yes/no authority. As a consequence, committee and judicial findings in such cases invariably lay the blame for failure on ‘the system’, effectively not allocating accountability at all.

One example is the Parliament of Victoria’s Environment, Natural Resources and Regional Development Committee inquiry into the Country Fire Authority (CFA) Training College at Fiskville (Parliament of Victoria 2016a). This parliamentary inquiry into the health effects over a number of years of activities at the CFA training college was established due to serious health concerns. Despite having enabling terms of reference and finding serious discrepancies between the documented knowledge of events and the executive management’s claimed knowledge, the committee was unable to recommend disciplinary action against any of the identified executive management group.

This is explicable in part by findings of crossed lines of authority and by inadequate governance practices regulating the operation of the Fiskville facility. The committee did, however, identify a failure of executive management to act on information brought to their attention. This report is unfortunately also notable for the observation of the committee chair that many of the members of the committee were either current members of the CFA – the body being investigated – or had a longtime association with the body, seemingly indicating that this made them all the more suitable for the review task! It is unsurprising that a body set up without regard to appropriate governance was unable to deal effectively with the failed governance of the body it was investigating.

A more interesting commentary on the quality of public sector governance is contained in the Australian Government’s *Report of the Royal Commission into the Home Insulation Program* (HIP) (Hanger 2014). This program was commissioned as part of the government’s hasty response to the 2007–08 global financial crisis, and resulted directly in four deaths. The royal commission report identified ‘seven significant failings in the design and implementation of the HIP’. These included: that the responsible department was ill equipped to undertake the allocated task; that there was an absence of a robust audit and compliance program; that there was substantial reliance by the Commonwealth on the states and territories without advising them accordingly; and that there was predictable conflict or tension between the twin aims of the HIP, namely to insulate 2.2 million households and stimulate the economy. Failures of governance identified applied both to the Australian Government and the public service with

Commissioner Hanger regularly using such phrases as ‘it ought to have been obvious to any competent administration’, and ‘it ought to have been obvious to the Australian Government’.

In a media release dated 5 February 2016, the minister for the environment provided ‘the final update’ on the government’s response to the royal commission, the government having committed to six actions in September 2014. The six included reviews of government and public service processes. The ‘final update’ noted a finding by the APS commissioner that there was an insufficient basis for formal investigation of individual public servants, but makes no reference to any response regarding government processes. One could conclude that the responsible parties were excused from accountability by way of incompetence (or rat cunning?) because competent parties would have established appropriate accountability and governance mechanisms.

One of the dimensions of accountability – the application of the concept of ministerial accountability – goes to the heart of the question of government accountability and is an important contributor to the declining community trust in government. There is no formal ministerial accountability required other than that voluntarily enforced by the prime minister and inevitably, once questions of ministerial accountability are raised, the game becomes one of politics rather than justice.<sup>11</sup> Ministerial accountability rarely extends in practice beyond activities that a minister is personally responsible for, which often flies in the face of the day-to-day levels of involvement in departmental matters that some ministers and their staff practice.

Perhaps the most destructive cases of public trust in government are those where ministers clearly are responsible, acknowledge so publicly (‘Yes I am responsible’) but then do nothing about it. These cases are closely followed by those where ministers do things claimed to be within their parliamentary guidelines but are so misaligned with community standards that there is public outrage. And, in those rare cases where ministers are actually held to account for their mistakes, it is the media and public response that invariably produces accountability, rather than

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11 The focus of the oath and affirmation of allegiance for federal members of parliament and the oath of office for ministers, is primarily one of allegiance to the British monarch, although the latter does include the words ‘I will well and truly serve the people of Australia’. Since 1996 there has been a ministerial code of conduct in place but one enforced only at the prime minister’s whim.

the nature of the misdemeanour itself; and even then, redemption is usually not far away. Governments must expect that community trust in government will continue to decrease under such circumstances.

Consider two further examples. The first is the failure of the Australian Bureau of Statistics' (ABS) website on 9 August 2016, the night of the Census. The website either crashed or was taken down, depending on which interpretation one accepts, and the relevant minister, Michael McCormack, who was responsible (but apparently not accountable) lined up with the prime minister to shoot either (or both) the head of the ABS, which was conducting the survey, and IBM, which was the service provider. ('Heads will roll', said the prime minister, well before any formal determination of the cause of the problem.) While there may well have been substantive failures by either or both IBM and the ABS, what stood out in the run up to the five-yearly Census and the immediate aftermath was the naïve assurances by the prime minister and the minister 'responsible' that nothing could go wrong, merely compounding the government's culpability with the problem that emerged.

The second example arises from the Australian Government's establishment of an asylum-seeker detention facility on Manus Island following negotiations with the government of Papua New Guinea. There have been regular media reports of maltreatment of the detainees with a standard response of government ministers being that is a matter for the PNG Government. This response represents a fundamental abrogation of accountability. Clearly the government has outsourced a service to a third-party provider using Australian taxpayer funds: as such, it is answerable to the Australian public for the conduct of the contractor just as surely as if the APS were itself the service provider.

A common problem when both the elected and administrative arms of government are involved in maladministration is a lack of effective formal communication between the government and the public service and between levels of government, thereby enabling both parties to avoid accountability in the event of bungling. In the HIP case, a failure by the Commonwealth to advise the states that they were expecting the latter to assume quality control for insulation suppliers and installers was found by Commissioner Hanger to have contributed to both the installation of faulty product, and its installation in a risky manner, thereby contributing directly to the subsequent deaths.

This lack of formal communication may be due to a lack of understanding of the problem itself, or the necessary governance requirements for such activities, and it may be compounded by a desire on government's part to distance itself from problems that may arise, whether resulting from public service delivery or outsourced delivery. Indeed, it would seem that the politicians' risk aversion and apparent lack of confidence in the public service may well lie behind much outsourcing activity. Either way, this is an insidious problem where politicians who do not want to be accountable enable public servants to behave similarly, and it is destructive because poor governance can be expected to lead to poor performance. It should not be so. Our democratic system can only work in a way that extends beyond the ballot box when governments are accountable to the community, both in their own right and for the public service. Were appropriate governance mechanisms in place, accountability would more readily follow but this requires a willingness to be held accountable, both for the outcomes that an organisation delivers (performance) and compliance with the organisation's systems and procedures (conformance).

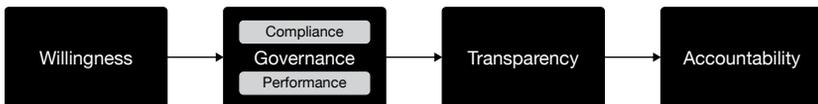


Figure 2.1 Delivering accountability

Fig. 2.1 describes the key relationships in which the logic chain starts with the choices made about governance – the what and the how – based on the preparedness to be held accountable. There are then two streams of information gathered, the first relating to the objectives of the organisation and capturing its performance, whilst the second stream relates to its observance of the laws of the land and compliance with the organisation's key board and management policies, this stream being best described as conformance. When combined with a commitment to transparency, the information gathered in these two streams enables an organisation to deliver accountability. My focus lies with the good governance that flows from the choices made and the two streams of data captured, and with the accountability enabled by these flows from the accompanying transparency.

The central concept is that of accountability. The notion of accountability in the public sector relates to its stewardship of resource use and the notion that 'the stewards' should account to the stakeholders for this role. In this case, the stewards are the collective of the elected and administrative arms

of government and the key stakeholders are the community at large but, as noted earlier, within this collective the elected arm of government (the politicians) must be seen as answerable to the community at large whilst the administrative arm (the public servants) are held to account by the elected arm. As ministerial accountability is interwoven with that of public service responsibility, until the former is clarified – essentially leaving the latter ambiguous – difficulties of ‘government’ accountability remain.

Accounting to stakeholders should be built on the demonstrated effective and efficient implementation of the incumbent government’s policy platform, including sound financial record keeping and management and the demonstration of impacts and outcomes in keeping with policy goals. This should be accompanied by demonstration of the meeting of the required standards of due process and probity expected of government. This is the primary definition of external accountability. The concept of external accountability is essentially a high-level one generally best considered in terms of the communication of organisational performance to owners and (other) stakeholders and incorporates the standard meaning of accountability. Within the boundaries of accountability defined by the government of the day, it is the public service that has prime responsibility for its documentation. The public service must set up and manage the administrative systems that generate the data required – for both conformance and performance – to populate the reports consistent with the governance choices and level of transparency chosen by governments.<sup>12</sup>

One of the more interesting ideas for dealing with ministerial accountability is to provide ministers with additional and clear responsibility through a prescribed, managerial role in their respective departments. The promoters of this idea – Di Francesco and Eppel – propose exploration of this as part of the ‘professionalisation’ of ministers, improving their competency in line with community expectations, suggesting that this ministerial role is a ‘missing link’ in the design of public sector governance practices. The authors scope the challenge and identify a number of barriers, including achieving adequate levels of competence in any such role and the enforcement of such responsibilities, but do not venture into the territory of the content of this role, concluding that their

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12 Internal accountability is also important in this context. From an organisational behaviour and performance point of view, the visibility and certainty of the contribution of the different parts of an organisation to each other is an especially important issue in the performance of collaborative teams built across organisational boundaries.

work is ‘exploratory’. The idea has merit, but much work is required to develop it into something that would work on the ground.<sup>13</sup> For better ministers, such a process could formalise what they already do in playing the role of a one-person board to the departmental CEO. The major challenge would, however, be to bring the ministerial team to a common and adequate competency base.

There are two final outstanding issues to address. The first is the possibility that the various structural elements may be in place to deliver accountability but that, unknowingly, the administrative systems associated with service delivery may be failing. Secondly, there is the question of the prospective downside of too much accountability, and an argument that there can be healthy and unhealthy accountability.

When considered as a combination of processes and outcomes, healthy accountability within the public service can be described in terms of a primary focus on the outcomes of these activities, whereas unhealthy accountability can be seen as equal focus on the steps along the way: the processes and the outcomes. Indeed, unhealthy accountability focuses primarily, sometimes solely, on the former. A substantial focus on the processes – both through prescription and transparency – it can be argued, leaves little room for innovation and thereby impedes performance. The alternative is to strengthen the measurement of outcomes, thereby diminishing the need for process prescription and step-by-step transparency.<sup>14</sup>

## 2.4 Models of governance

### 2.4.1 An overview

An important concept of governance in the public sector, and especially with regard to public administration, is of it as a set of models that offer alternative frameworks through which to view the oversight of these activities. They are not formal models in the manner that describes corporate governance, but they incorporate different processes that set boundaries around the practice of government governance. These models of governance have emerged and evolved over a number of decades to

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13 See Di Francesco and Eppel (2011).

14 See Bason’s discussion of ‘the glass bowl’ effect (2010, p 60).

the point where they may now be viewed either in a linear manner, as an evolutionary description of public sector governance, or as a set of alternative management tools that can be mixed and matched to circumstances.

This discussion of models of governance acknowledges that there are few formal beginning and end points, globally or indeed for individual countries, for the various models of governance. Our chosen starting point is the late 1970s because it was then that changes to century-long public administration practices started to occur around the globe. Subsequent evolutions are, however, more difficult to date because the changes have emerged and been blended with one another rather than being announced. As a consequence, there are differing views about the choice of labels applied to the subsequent evolutions. Most observers would agree with the designation of the phases of 'traditional public administration' and 'New Public Management' (NPM).

Moreover, most are agreed that what has followed the NPM revolution of the 1980s has been a more collaborative approach to the business of government. Where the disagreement lies is in how this latter period should be described. Some have described it as an integrated period, identifying it in whole-of-government terms, with others describing it as the New Public Governance; yet others have taken an alternative approach describing successive evolutions as 'joined-up government' followed by 'networked government'. I have chosen the latter two, because they are more descriptive of the evolving challenges for the public service. I have also added a further designation, 'anarchic government', which I shall explain shortly.

When formally considered as models, the key elements of the models of governance should be their theoretical foundations (if any), their management and market-based tools, the service-delivery mechanisms, and the associated performance measures. The core of these 'models' is the common administrative and process-oriented elements of government, embodying one or more of three commonly identified public sector governing structures, namely hierarchies, markets, and the hybrids/networks. Under hierarchies, resources are allocated by administrative decree (as in traditional public administration); under markets, resources may be allocated according to competitive processes (as in NPM); and

under hybrids/networks, a range of government and non-government players may participate in the allocation and management of public sector resources (as in joined-up and networked government).

When seen in these terms, perhaps only NPM might reasonably be seen as approaching a 'model', with subsequent evolutions representing more a shift of emphasis of part of the system rather than of the whole model. But even then, the foundations of traditional public administration have remained intact, with efficiency-driven changes largely grafted onto the traditional model. Nonetheless, these models of governance and their underlying governing structures are important because they frame the manner in which governments may be held to account. When properly implemented, progression from accounting for inputs (traditional public administration), through outputs (NPM), to outcomes (joined-up and networked government), provides for increasing scrutiny and accountability.

At one level these models are the management approach brought to the business of government by the government of the day. They may be seen in a linear historical context, or as a suite of management models to be mixed and matched by the public service and government of the day depending on the context; indeed, the various governance models can and do comfortably co-exist with one another today in different parts of government. This reality is reflected in the fact that, even today, the traditional public administration model, which was unchallenged for the first three-quarters of the 20th century, continues to dominate the structures of government in most democratic countries.

The sketch of each of the models that follows, with a summary presented in Table 2.3, sets the scene for issues that are addressed throughout the book. Nonetheless, NPM dominates the discussion because: (a) this was much more broad-based in its intent and impact than the subsequently emerging governance styles; (b) it has left a legacy from which most governments have not escaped (with negative consequences for the public service); (c) the subsequent models have developed in part as a response to the negative impacts of the NPM; and (d) the NPM legacy provides unsound foundations on which to graft the later models, especially for governance (an important issue as networked governance takes hold).

Table 2.3 Models of governance

Dimensions	Traditional public administration	New Public Management	Joined-up government	Networked government	Anarchic governance
Needs/problems addressed by model	Paternalistic Determined by professionals	Wants, expressed through the market	Customer-centred solutions determined by professionals	Community and business engagement	'Local' Issue-based Negotiated
Strategy	Producer-centred Service-driven	Engage markets Public choice	Join-up services Build solutions	Multi-actor-centred program design and service delivery	De-institutionalise government Enable local decision-making
Rationale	Market failure Public goods	Government failure (efficiency)	Government failure (effectiveness)	Access multi-actor knowledge to improve effectiveness	Democratise
Performance measurement	Focus on inputs	Focus on outputs	Focus on outcomes	Focus on public value	Focus on community engagement
Key actors	Public servants 'The centre'	Customers Contractors	Public servants The department	Community Business Public servants	Individuals Local interests The plurality of publics
Governing structures	Hierarchies	Markets	Horizontal coordination between departments	Networks and partnerships	Shifting coalitions of 'local' interest Fragmented
Characterisation of public service management	Technocratic Collegiate	Efficiency-seeking	Effectiveness-seeking	Collaborative	Facilitative

Sources: The primary sources of material for this table include Hartley 2005; Christensen and Lægread 2007; Sørensen and Torfing 2011, 2012; and Hartley, Sørensen and Torfing 2013.

## 2.4.2 Traditional public administration

A modern history of democratic government should start with an acknowledgement that 'traditional' public service management structures were in place through much of the 20th century. These embodied a strong centre ('one public service'), a hierarchical style of management, a career public service, strong financial management, a focus on due process, and a de facto responsibility for protecting the national interest.

The limitations of this model for the more unsettled final decades of the 20th century were seen to be its inhibition of innovation, its inward-looking operating style, limited focus on performance measurement and efficiency, and little acknowledgement of the role of the customer. These were encapsulated in the limitations of the notion of a prescient public service applying scientific methods to the determination of the nation's needs and the allocation of resources, which was attacked in the early literature on wicked problems in the 1970s (Rittel & Webber 1973).

## 2.4.3 New Public Management

The established structure survived for three-quarters of the 20th century but, under the mounting fiscal pressures facing governments during the 1970s, it was confronted by an ideological revolution adopted from the private sector under the banner of the 'New Public Management'. Led by New Zealand and the United Kingdom, a number of governments then looked to the private sector for tools to achieve a more efficient public sector. Authority was devolved from the centre to the departments, private sector managerial tools such as employment contracts and performance bonuses were introduced, whilst contestability, competitive tendering, outsourcing, and privatisation (so-called 'marketisation') were widely utilised to generate service-delivery efficiencies. In addition, new performance measures designed to move the focus down the program logic chain from inputs to outputs were introduced. The dominant features of this movement have been described by Christopher Hood as the lessening or removal of differences with the private sector: a shift from process accountability to accountability in results, and the introduction of a new conception of accountability reflecting high trust in the market and private business methods and low trust in public servants and professionals (Hood 1991).

The way in which the new market-driven system was expected to work can be seen in the focus on performance measurement. If traditional accounting techniques focused on accounting for financial inputs, then the new market-driven philosophy focused on outputs, with departmental secretaries (commonly called ‘chief executives’) being held to account for the delivery of the specified quantity, quality, timeliness and cost of outputs. The voting public was assumed to hold the minister and government as a whole accountable for outcomes and the selection of outputs to achieve those outcomes. In turn, departmental chiefs were encouraged by incentives to produce outputs of value to ministers in achieving ministerial whole-of-portfolio/whole-of-government objectives. Accounting for these ‘outputs’ was accommodated by private sector developments in cost accounting facilitating the allocation of overheads more effectively to individual business (program/service) lines.

Much has been written about the impacts of the NPM reforms on various jurisdictions, and many assessments have been made from an ideological position, thereby enabling the various proponents to promote cases right along the spectrum with equal enthusiasm. In a 2009 assessment, Geoff Mulgan observed:

In their milder versions the reforms helped to improve public services – making them more focussed and responsive ... But overall results of the many ‘new public management’ reforms fell far short of their promise. (Mulgan 2009, p 59)

Mulgan reserves his harshest criticism for the marketisation phase:

Bold claims were made for the potential of markets to transform public services and other areas of public action during the 1980s and 1990s ... those countries which went furthest in marketization served as a warning to the rest. (p 60)

And:

Markets have many virtues, and they have played an important role in making public sectors richer in information, and in feedback. But the assumption that they are a natural phenomenon, the default option for social organisations, is wrong. (p 61)

The assessment of the contribution of NPM reforms – of producing some significant localised efficiency gains but at the expense of overall government effectiveness – is one commonly made by researchers from many countries. In a 2012 article, Eva Sørensen and Jacob Torfing

described its contribution as delivering ‘some welcome transformations’, ‘a number of unfulfilled promises’ and ‘a large number of unintended negative effects’, concluding also that, since the introduction of the NPM reforms, a new set of serious challenges had arisen that the NPM had no answers to. These were identified as dire fiscal constraints, the ongoing processes of globalisation, the growing number of wicked problems, and the need for innovative solutions to break policy deadlocks (Sørensen & Torfing 2012; see also Bommert 2010).

Perhaps the most comprehensive assessment of the impacts of the NPM reforms has been made by Hood and Dixon for the UK economy. They noted the evidence-free nature of the debate and spent several years assembling and assessing evidence of the impacts. Their conclusion, that government probably cost a bit more and worked a bit worse, adds a quantitative dimension to our evidence of the impacts of these reforms but, most interesting, is their attempt to disassemble the reasons for this conclusion, the motivation that drove the reforms, and the public policy implications of this analysis (Hood & Dixon 2015).

It is clear from the literature on the NPM reforms that emerging downsides from the introduction of the reforms were observed, in addition to the more obvious and front-end benefits. Indeed, the accumulation of experience with NPM reforms highlights the fact that the strengthened focus on departmental performance was achieved at the expense of the whole-of-government capabilities necessary to deal with the emerging complex public policy problems. Moreover, the shift to a more decentralised system of public sector management, together with the heightened focus on vertical accountabilities (e.g. between ‘chief executives’ and ministers) laid bare a number of operating problems, namely: a perceived lack of coordination amongst the central agencies, horizontal coordination between service-delivery agencies, the collective interests of the government, and cross-sectoral coordination. By the beginning of the 1990s, a more collegiate ‘whole-of-government’ style was already starting to emerge in some countries, initially focused on joining-up departmental service delivery but subsequently evolving into a more externally orientated networked style of government (Pallot 1996; Christensen & Lægreid 2007; Naschold 1996).

### 2.4.4 Joined-up government

The experience with NPM pointed to the need for a new paradigm that saw societal complexity, and the persistence of public administration silos with discrete, autonomous units as the key challenge rather than public service inefficiency, and the development of interactive forms of governance that cut across organisational and institutional boundaries as the appropriate response. The response sought to address the difficulties created by NPM, in the form of a shift from a predominantly management and performance measurement framework to one in which financial management issues were subsumed within an overall whole-of-government management service-delivery framework (Sørensen & Torfing 2012, p 7).

Joined-up government retained many of the features of NPM but aimed to address the limitations of departmental silos by ‘joining-up’ services delivered from the different parts of government. Its focus was on coordination processes complemented by some formal and informal organisational change; for example, the establishment of super-ministries (to internalise key coordination problems), the adoption of the matrix management technique from the private sector, and the use of standing committees and task forces across departmental boundaries. The concept of coordination across government was given new emphasis as part of the collegiality sought from departmental chief executives, although some observers saw this as nothing more than the recreation of whole-of-government coordination that was a tenet under the traditional public administration model, albeit one that had been discarded (McGuire 2006; Hood 1991).

An Australian perspective on the challenges of providing more integrated, whole-of-government responses to the increasingly complex and diverse problems confronting governments was provided by the committee of department heads known as the Management Advisory Committee (MAC) in its 2004 report, ‘Connecting government’.<sup>15</sup> In seeing whole-of-government collegiality as a strength of Australian public administration, the MAC warned against the injudicious use of the whole-of-government approach, observing that the real challenge was not high-level multilateral exercises, so much as the day-to-day realities of working across boundaries

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15 See Management Advisory Committee, ‘Connecting government: whole of government responses to Australia’s priority challenges’, Commonwealth of Australia, 2004, [www.apsc.gov.au/connecting-government-whole-government-responses-australias-priority-challenges](http://www.apsc.gov.au/connecting-government-whole-government-responses-australias-priority-challenges).

to achieve outcomes. The strength of this report as a document that might lead to changes in the practice of public administration lies in the framework it outlines, including noting a succession of individual challenges such as development of a supportive culture and skills base, instituting appropriate governance, and building community engagement.

Its weakness lies in the fact that it is a guide that agencies consider at will. Given the emphasis in the report's preface to the day-to-day, operational, rather than (high-level) project-based nature of the challenge for public administration in Australia, there is far too little attention paid in the report to (a) changing the culture, and (b) dealing with the challenges of joint working and accountability, with the former being the organisational bedrock of collegiate behaviour and the latter the necessary operational processes.<sup>16</sup> One might also observe a note of unwarranted optimism in the MAC's assessment that the outcomes and output budgeting framework provided a strong base for monitoring Australian government activity. This optimism is part of a pattern of public administration in Australia that sees attention paid to the high-level dimensions of governance with a distinct lack of follow through at the operating level.

The scorecard for the impact of joined-up government across a range of countries in Europe, as well as in Australia, Canada and New Zealand, like its predecessor, is mixed at best. A stocktake of progress in implementing this new approach to UK government, eight years after its formal introduction in 1997, saw it described as 'still in its infancy' (Bogdanor 2005, Chapter 1). A 2013 study by Per Lægried, Åsta Dyrnes Nordø and Lise Rykkja of the quality of coordination in the Norwegian Government found that, whilst collaboration and coordination were an important reform trend in the previous years, it was difficult to discern its impact on policy coherence and coordination. These authors further found that the landscape was a mixture of traditional public administration and post-NPM instruments, illustrated by the fact that hierarchy was still a strong coordinating mechanism alongside cross-cutting partnerships. They concluded that 'overall coordination is assessed as rather poor, particularly between horizontal bodies in different policy areas' (Lægried et al. 2013). The view that the global influence of joined-up government had peaked

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16 In their chapter 'Working across organisational boundaries: the challenges for accountability', Jonathan Boston and Derek Gill lay out six questions that require attention in this context namely: (1) Who will be held to account? (2) Who will hold them to account? (3) How and when will they be held to account? (4) For what will they be held to account? (5) What is the required performance standard? And (6) What are the available rewards or sanctions? (Boston & Gill 2011).

without achieving its potential was proposed in another 2013 article, this one by Philip Marcel Karre, Martijn van der Steen and Mark van Twist (Karre et al. 2013). Similarly, authors commenting on the progress of implementing joined-up government in Australia delivered a mixed report card that more often than not found the glass half-empty rather than half-full and research has cast serious doubts over the efficacy of the model of joined-up government practised in Australia (Hyde 2008; O'Flynn et al. 2011).

While there seems to have been a penchant for reform following the unfulfilled promises and unintended consequences of NPM, there is limited evidence of the success of the subsequent joining-up of government. Most government departments in the countries noted above are still arranged in a hierarchical structure with joined-up government successes taking place in its shadows. The triumvirate of closely related problems noted by June Pallot with the introduction of NPM – comprising horizontal coordination between government agencies, the collective interests of the government, and the lack of coordination amongst the central agencies – remained an elusive challenge (Pallot 1996).

Studies of the performance of joined-up government highlight the difficulties of successfully allocating responsibility with accompanying accountability across organisational boundaries, and its limitations as a model of governance. Coordinated service delivery and the bundling of services into solutions across governmental (and non-governmental) boundaries require enhanced management and accounting processes to be effective. And, while there has been an accompanying discussion in the academic literature of strengthening the focus on outcome measurement and accountability, this has not been delivered in practice despite the added stimulus provided by a refocusing of national auditor-general office activities over the last 30 years away from traditional financial audits to 'performance audits'. That this should be the position with joined-up government some two decades on from its first broad-scale implementation in the United Kingdom by the government under Tony Blair is disappointing from both academic and community viewpoints, but unsurprising in consideration of the scale and complexity of the challenge and the tools used to address it.

NPM reforms were accompanied by some organisational change with the establishment of executive agencies and larger departments. Indeed, the bulk of the private sector-derived changes were largely of a technical

and ‘turn key’ nature, and could be readily imposed on an organisation on a top-down basis. In contrast, the challenge of achieving effective joined-up government required a more subtle and difficult change to the operating style of public administration necessitating a significant change in culture.<sup>17</sup> This does not happen by administrative decree and requires people at all levels across the organisation to contribute – those with market knowledge, those with policy knowledge, and those with administrative systems knowledge, all under coordinated leadership across departmental boundaries.<sup>18</sup> Moreover, the taskforces, inter-departmental committees, and various steering committees commonly used to ‘coordinate’ intra-governmental, intergovernmental, and extra-governmental activities have, in the past, been best used to scope problems rather than deliver solutions to long-term problems. The various tsars, commissioners, and ombudsmen that continue to be appointed to deal with operating-level failures of service delivery are unfortunately invariably a costly symptom of this failure rather than a harbinger of success.

As with NPM, it is arguable that the promise of change under joined-up government has not been delivered. Achieving systemic change is a sizeable challenge with the self-interests of ministers and departments all too capable of undermining good intentions. Such failure as has occurred – more unfulfilled promise than unintended consequences in my view – resulted from a combination of underestimation of the task and lack of commitment at the highest levels. There was/is a serious organisational impediment to such change, and changing organisational culture is most unlikely to be achieved by leaving it to the component parts (the departments): success in changing organisational direction is much more likely when a corporate, that is, whole-of-organisation, approach is taken.

In the absence of a corporate headquarters to mandate and support change and broker agreement between the parts – with individual departments having to negotiate their own cross-boundary agreements with their peers – it is most likely that the interests of individual units will prevail. Indeed, Porter (1985) argues that this corporate role has been central to the success of ‘phase two’ of the life of the multi-divisional corporate form on

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17 I do not wish to imply by this comment that the NPM reforms were somehow a ready-made success. They were not.

18 Indeed, one might describe the task of implementing the NPM reforms as a management task, whilst the one of implementing the necessary organisational adjustments to achieve joined-up government as one of leadership.

which the organisational form of NPM was loosely based. Nonetheless, as the MAC's 2004 *Connecting government* report demonstrates in its final chapter and case studies, significant change can be achieved in the APS, albeit in the face of a crisis, pointing to the opportunity to learn from these crises not just the formula to avoid them, but how to scale successful change up to whole-of-organisation change. The consequent challenge is to put these 'learnings' into practice (MAC 2004).

### 2.4.5 Networked government

During the 1990s, and alongside attempts to better 'join-up' their departmental activities, many governments built collaborative processes and networks with external parties (Rhodes 1996; Peters & Pierre 1998; Börzel & Risse 2010; Pryor 2014). Networked government represented a more pragmatic change but of a much deeper sort, being a challenge to the structures and systems that deliver solutions to public policy problems. Whereas the focus of joining-up government was primarily aimed at achieving a whole-of-government approach with improvements in both efficiency (non-overlapping services) and effectiveness (customer-based solutions), the primary focus of networked government has been squarely on effectiveness through the involvement of a range of players in policy and program design and the delivery of the resultant services.

These third-party players – private sector, community-based organisations, and philanthropic groups – are presumed to be able to add value through their existing involvement in the marketplace into which government services are to be delivered. The subsequent incorporation of yet more players in the development and delivery of services through various forms of networking and oversight has brought more market-based knowledge to the provision of services but has exacerbated the underlying performance and accountability problems of decentralised and distributed government.

The apex of support for networking as the governing structure has been reached in the United States, where the role of government has traditionally been seen as a partnership with the private sector rather than as the dominant central player – as it has been, for example, in the United Kingdom and Australia. Stephen Goldsmith and William D. Eggers argue that fundamental change was occurring in the way public services were being delivered in the United States. They applied the phrase 'governing by network' to their conclusion that government executives were redefining their core responsibilities away from managing workers and providing

services directly, to orchestrating networks of public, private, and non-profit organisations to deliver the services that government once did itself, and maintained that the new approach was a dramatically different type of endeavour than simply managing divisions of employees (Goldsmith & Eggers 2004).

In a subsequent (2013) book co-authored with Paul Macmillan, Eggers developed this theme further to argue not only that the US Government had become just one of the players in the public policy space designing and delivering solutions to public problems, but that its role as lead player had been superseded. The authors described a new economic paradigm involving a more collaborative system with business, philanthropy, government and social enterprise coming together to solve big problems and create public value. As presented, this new paradigm was underpinned by the creation of a market for solutions to social problems through the internet supported by the profit motive and thereby creating a more productive means of addressing community problems (Eggers & Macmillan 2013). Early signs of this sort of activity in Australia can be seen in the use of citizens' juries to resolve local issues, along with the crowdfunding of a range of new ventures replacing, in part, government grants and bringing new sources of venture capital to the market.

When viewed as a model for community involvement, and in the face of a lack of leadership from our politicians – with citizens, politicians, business and community members together determining needs and accessing public funds – it is likely that this form of networked government will gain popularity. Moreover, the pull of having both those who understand the market and the production and consumption phases of any service may well prove (politically) irresistible. At the same time, the more developed form involving external funding is likely to emerge more slowly. This is because the range of solutions to community problems that are amenable to this form of 'government', relying on the existence (or prospective existence) of a market transaction (creating both in the hands of the provider and the recipient), will be significantly limited. Instead, these sorts of productive community-driven collaborations will almost certainly (continue to) find their most productive use in addressing local issues.

Additionally, those issues of a state or national nature, especially involving public goods, do not seem amenable to this sort of solution. But even the more benign form of networked government has had its critics from its inception. An early problem noted in its development was the challenges

presented for the management of the emerging intergovernmental networks by the rigidity of the 18th- and 19th-century public administration organisational structures on which it was built (Provan & Milward 2001). The earlier unresolved challenges of control, resources, and results sharing that emerged with attempts to join-up services were seen as being compounded by the addition of external parties to the supply mix.

Eggers and Macmillan recognised this challenge to good governance in the management and governance difficulties posed by a network of partnerships and relationships, including skill-set issues (managing contracts); technology issues (incompatible information systems); communications issues (one partner in the network, for example, might possess more information than another); and cultural issues (how interplay among varied public, private, and non-profit sector cultures can create unproductive dissonance). Critics of the unresolved accountability difficulties that have dogged joined-up government have described the distributed style of government as ‘governance without government’ and called for a new theory of accountability (see, for example, Peters & Pierre 1998).

### 2.4.6 Anarchic governance

In rounding out this discussion of models of government, I note the existence of one further ‘model’ in common use, which I call ‘anarchic governance’. Presented in Table 2.3, it is commonly found at local government levels where various forms of issue-based local democracy are practised. What these various activities have in common is the level of local community involvement in agenda formation, evaluation and resolution of issues, and sometimes funding, and the back-seat, facilitative, role played by politicians and public servants. In this model, a key performance measure that needs to be added to the usual mix is that of community engagement: indeed in some circumstances this might be the prime measure (i.e. the process is the outcome).

There are two strands to this model. The first envisages problem and policy determination led by ever-changing coalitions of community members with the public service playing a facilitation role and, with political consent, providing access to public funds. The second envisages public policy determination and resolution by a variety of non-government players funded by the private sector and utilising methods such as crowd funding (Wacchus 2014; McGuire 2006)). This broadening engagement

of the community directly in the daily processes of government could see important parts of the roles of both the elected officials and the public service acquired by the community on an issues basis and will have important implications both for skills required and the public service management structures of the future.

Both strands are already in play, with the latter having been actively employed at regional and local levels of government for some decades. An Australian national and state government version of this would be 'summits' to address a variety of economic and social problems, such as has occurred in Australia over the last decade in the cases of innovation, homelessness, industrial relations, domestic violence and early childhood learning.

## 2.5 Some unresolved issues

Any discussion of models of governance must acknowledge the importance of the traditional model of public administration, which prevailed unchallenged for much of the 20th century and remains the foundation of most public service activity. NPM reforms built on this model in important ways. By placing cost-efficiency at the centre of the challenge of government and acknowledging a role for the customer in this system, it opened up the development of public policy to the injection of new influences all the way along the logic chain of government activity, from the conceptual foundations of government policy through to the measurement of its impacts.

This revolution has generated two consequences of particular interest. The first is the loss of a holistic view of the role of the public service, driven by the devolution of authority from the centre to the departments. It was the devaluation of this role, the fragmentation of public service operations that followed, and the loss of associated public service capabilities, which together encouraged the joining-up of services and the refocusing on a whole-of-government approach in order to recover some of the lost effectiveness of public administration it caused. Where Hood and Dixon have cast doubt on the stated (efficiency-driven) motives for these reforms in the United Kingdom, in Australia's case, the substantial weakening of the public service was unlikely to have been an unintended consequence. The more interesting question is whether it was the main game.

The second and closely associated consequence goes to the refocusing of the performance measurement of government activities. The change from inputs to outputs was undoubtedly a step in the right direction, but provided little information about impacts or outcomes and contributed little to the overall budgetary resource-allocation process. It certainly enabled politicians to form a better view of what revenues were ‘buying’ from the public service. But it provided no ready means for the government to compare the economic impacts (program and policy impacts and outcomes) either of existing programs or of alternatives.

While government policy and program choices will always ultimately be made on political grounds, it is arguable that the role of the public service is to inform government in the formation and detail of these choices, to advise the government of their economic impacts, and to take every opportunity to pursue the goal of better resource allocation. If there is any room for those twins, frank and fearless, in government, it must surely be in regard to the allocation of resources and the means of achieving the best outcomes, especially when one considers that ministers often evaluate smaller expenditure activities more closely than the bigger ‘blue sky’ and ‘nation-building’ activities. A day-to-day focus on this issue of sound resource allocation is especially important because the measurement of impacts and outcomes of government activity becomes more critical in a world of joined-up and networked government activity and cross-boundary and cross-sectoral program delivery. Networked government, in particular, adds another layer of complexity to already weak resource-allocation foundations.<sup>19</sup>

The issue of resource allocation also comes to the fore when we consider how organisations can best balance ongoing investment in the present and future.

In turn, the evolution of models of governance has brought to the fore a further consequence of interest to us, and that is the illusion that somehow these models have a connection with the quality of governance delivered. The nomenclature may well point to alternative modes of governance underpinning these ‘models of governance’ – hierarchies,

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19 The Australian Public Service Commission has previously examined how accountability and performance management arrangements deal with new modes of policy implementation (e.g. risk-taking, community engagement and innovation). They concluded that not only accountability gaps have emerged but that current arrangements were constraining innovation. See APSC, ‘Delivering performance and accountability’, 2014b, [www.apsc.gov.au/delivering-performance-and-accountability](http://www.apsc.gov.au/delivering-performance-and-accountability).

markets, networks/hybrids – but it gives no indication of the underlying resource-use accounting and quality of governance that ensues. This latter is as much a matter of commitment to implementation as it is the embedded measurement regime, and it can be observed that, as the models themselves have evolved over the last 30 or so years with progressive improvement in the underlying measures, there appears to have been little real effort since the introduction of output budgeting to implement the embedded changes. With the measurement task becoming progressively more difficult whilst the performance measurement framework has stagnated, the obvious consequence has been a deteriorating standard of government governance. Meanwhile the measurement of public value waits in the wings to be called into action.

In taking a whole-of-government view of this evolution of public sector governance in Australia, Meredith Edwards, John Halligan, Bryan Corrigan and Geoffrey Nicoll noted a number of continuing and emerging tensions and discussed three in some detail: vertical and horizontal governance, central coordination, and agency and board governance. In looking to the future the authors placed the vertical/horizontal dimension at the heart of this challenge in the presence of the growing numbers of actors and inter-dependencies involved, identifying the fundamentals for successful future public governance as leadership, accountability, and shared outcomes and accountabilities (Edwards et al. 2012).

In a presentation to the Institute of Public Administration New Zealand (IPANZ) in March 2012, Bill Ryan commented:

Assuming a learning orientation, an outcomes focus, particularly in relation to complex policy, leads people on a journey back to everything else I have discussed. As they try to figure out and make sense of their goals and objectives and evaluate their efforts to date in the light of the context, with backwards-mapping, *everything else falls into place* [my italics].

This might be regarded as a substantial concession from someone who brings an historical and sociopolitical perspective to bear on questions of governing, and who is a self-confessed critic of what he describes as ‘the excessive influence of certain economic theories on public management’. My underlying premise is that measuring the right things is a necessary condition for good performance and, in Chapter 4, I draw together theoretical argument and observed performance making use of Ludwig von Mises’ argument of the necessity of what he calls ‘the economic calculation’ to underpin sound government (von Mises 1944).

There is one final dimension of governance that has not been systematically addressed but which has received much attention in the private sector literature: the matter of board effectiveness and governance. I have pointed to the importance of leadership and the role of ‘the centre’ as described in the public sector management literature. In practice the missing public service ‘centre’, when viewed in private sector terms, comprises two management layers and skill sets, namely an independent board, and a dedicated CEO and corporate office. Their absence denies the public service access to the skills, experience, and processes – ultimately the leadership – associated with the proper functioning of these organisational levels in the private sector. To argue this, I will draw heavily from Bob Garratt’s aptly titled book, *The fish rots from the head* (2010).

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