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The competitive advantage of the public sector

8.1 Introduction

The starting point for any discussion about the competitive positioning of the public service should be a clear understanding of the role of government. I do not mean the underlying political, indeed economic, arguments for the range of interventions that any government might undertake, rather I mean the chosen role. And, within this context, I distinguish the role of the public service from the role of the elected officials within ‘government’.

I acknowledge that the decisions about choice of government activities clearly lie in the hands of the elected officials, as does the role that the government chooses to play in the design and delivery of any particular activity, and the consequent chosen role(s) for the public service. I nonetheless argue that the role that the public service could play in meeting its responsibilities to its legislated triad of communities ranges more broadly across this spectrum than it presently plays. I also argue that, by virtue of the content of the *Public Service Act 1999*, the Australian Public Service (APS) is entitled to, and should, view its existence as separate from the elected arm of government.

With this as a starting point, the public service can be considered like any other independent organisation with goals and stakeholders, requiring effective management to connect the two. At the heart of the effective

organisational management lies an ongoing plan to convert goals into activities. This plan is supported by choices made with regard to activities, and demonstrating how these activities can be converted into the targeted outcomes. It is to the strategic choice and mix of public service activities – the public service activity portfolio if you like – that I now turn.

It is not immediately obvious how best to apply the concept of strategy, as developed in Chapter 7, to public service activity. Neither the corporate strategy literature nor the public sector management literature is of much assistance here, as there is little published research that brings the two together, certainly not with a primary focus on the role of the public service. There is a substantial literature on the application of selective private sector business practices to public administration; for example, public sector procurement outsourcing and contestability. This literature focuses on the management of these activities rather than on the strategic context within which decisions are made and the processes of competition between the public and private sectors. Similarly, the major stream of literature on public sector management that treats the public service as a competitive endeavour, is focused on motivation and internal competition for resources and status, for example through budget maximisation and turf acquisition, rather than on competition for influence in broader markets. This chapter focuses squarely on determining competitive advantage for the public service in the broader context.

Michael Porter's analytical framework in *Competitive advantage* (1985), in which he explores competition at the level of the individual firm, is applicable to this discussion (Porter 1985). In conjunction with the preceding volume, *Competitive strategy* (1980), Porter's activity-based framework, which focuses on competitive advantage and its sustainability, has been the basic language of business strategy for over 30 years. The major benefit of using this framework is that it provides the foundations for thinking about strategy across multiple businesses (departments), which is essential when treating public service endeavour in a systemic manner. It also provides an integrated framework within which to consider the role of 'the customer', the emerging concept of public value, and the coordination problems confronted by the public service. The latter can be considered through the process of strategy implementation, with Porter paying special attention to the establishment of beneficial horizontal relationships between businesses within a large organisation.

The analytical starting point here is the public service status quo, with a large number of embedded decisions about roles, responsibilities, and a broad range of make-or-buy policies and decisions. Many of these decisions were 'imperfect', embodying primarily political motives and/or limited analytical frameworks and inadequate information, but they are a starting point. The aim is to construct a competitive strategy for the public service in this environment noting that, while the public service is a captive of the public sector and clearly dependent on government, it is nonetheless exposed to competition across a broad spectrum of government activities.

This chapter outlines Porter's framework and applies it to public service activity. While there is much detail in the Porter model that is worthy of notice – for example, his five-forces model to determine industry profitability and the nine generic pursuits that comprise the value chain – its application in any depth here would detract from the proposed in-principle examination of the applicability of a strategic framework to the public service.

A lucid set of observations about the application of standard strategy models to public organisations is delivered by Geoff Mulgan, who notes the existence of a vast literature on strategy (from Sun Tzu to Michael Porter). He outlines the common principles and factors to be borne in mind in every field, but points to a radical difference in the challenges that public agencies often face. One of the most important differences he points to is the role of time and the need for public organisations to take account of intergenerational considerations, which is certainly not an imperative in the private sector calculus.

In answer to the question of whether strategic methods are applicable across sectors, Mulgan suggests that, although some questions are universal, the answers are not; smart strategies are specific to their contexts (Mulgan 2009, pp 22–23). Interestingly, it is one of these differences – what John Alford and Janine O'Flynn describe as complexity, referring specifically to the interdependence between policymaking and service delivery – that enables the public service to 'see' government activity as a whole and, in the process, becomes the foundation of its competitive advantage (Alford & O'Flynn 2012).

8.2 The concept of competitive advantage

The organisational objective around which Porter built his competitive advantage framework was the aim to establish a beneficial and sustainable position against the forces that determine industry competition. This competitive advantage is created through the choice of a competitive strategy built on two elements – industry attractiveness, and the determination of an organisation’s relative competitive position in its chosen industry. Determining the relative contributions of the two on a case-by-case basis is important, with Porter first noting that not all industries offer the same potential for long-term profitability, then noting that some firms are more profitable than others, regardless of what the average profitability of the industry may be.

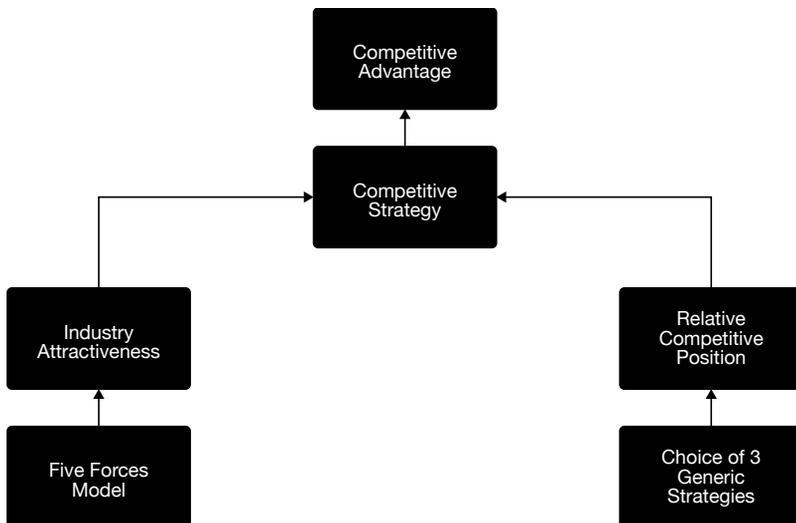


Figure 8.1 Organisational-level competitive advantage

Source: After Porter (1985, Chapter 1).

Porter’s five-forces model is distilled from the industrial organisation literature of the 1950s and 1960s and incorporates the five elements of suppliers, buyers, industry competitors, potential entrants and substitute products. Porter uses the model to determine industry attractiveness, and the choice amongst three generic strategies – cost leadership, differentiation and focus (either cost focus or differentiation focus) – to determine a firm’s relative competitive position. Fig. 8.1 presents these relationships in simple diagrammatic form.

Porter argues that the concept of competitive advantage cannot be understood by looking at the organisation as a whole, because it stems from the many discrete activities that a firm undertakes. He declares that it is best understood at the individual product or business line ('industry') level and he introduces the value chain as the tool for this purpose. The value chain disaggregates a firm into nine strategically relevant activities that, at the product, business line, or strategic business unit level, may be the source of competitive advantage. These comprise the five primary activities – inbound logistics, operations, outbound logistics, marketing and sales and service; and the four support activities – firm infrastructure, human resource management, technology development, and procurement. Porter describes the value chain as a systematic representation of activities that are performed to design, produce, market, deliver and support an organisation's products, and goes on to detail the nine generic pursuits that comprise all value chains (Porter 1985, Chapter 2). The value chain is primarily a discrete function-level description of a business in which, for example, human resource management might be regarded as the function and employee recruitment, remuneration, and training as activities.

To apply this concept to the pursuits of the public service, the public service needs to be similarly described in a disaggregated form – its functions and the distinctive features of its activities, the separate markets within which it competes, and the value that it delivers. Previous discussion of a number of ways by which the endeavours of the public service might be disaggregated – for both organisational design and strategy purposes – supports this endeavour. One such perspective is that of a set of departments that correspond loosely with the private sector notion of a product, business line or industry; for example, departments of health, defence, agriculture, and the environment. Closely aligned to these definitions are notions of programs and services, although not necessarily contained within the boundaries of one department.

The public sector can also be described in terms of functions, such as the Department of Finance's family of functions that were employed as the foundation for its Efficiency through Contestability Programme (based on the APS Job Family Model), or by the overlay of the strategy framework outlined in Chapter 7 of this book. To be of value, any such framework must allow for differences on a case-by-case basis.

In the case of the public service, it is important to keep an open mind about where within the ambit of the public sector domain that public service competitive advantage can be found, especially as such advantage may already exist in various parts of the public sector system but remain to be developed/exploited. This approach supports Porter's view that the primary argument for the existence of diversified businesses lies in the synergies that can be secured across the individual businesses, and that the competitive advantages enjoyed by business units in any line of business activity within a diversified organisation is necessarily a combination of (a) cascading organisational elements down to that business unit, (b) horizontal advantages across from that business unit to other business units within the total organisation, and (c) the advantages it creates directly in its chosen markets.

Some of the contributing elements to competitive advantage in individual markets may, then, derive from the corporate (whole-of-organisation) level (e.g. a capacity to absorb important risks, raise capital more cheaply, or form third-party alliances). Some others may derive from cross-divisional alliances (e.g. customer loyalty programs or shared facility use); the divisional (department) level (e.g. the existence of proprietary manufacturing technologies or a well-established set of marketing channels); and others may derive from the value chain of individual business lines and products (i.e. programs and services) themselves (e.g. strong brands).

The public service is underpinned by a bottom-up philosophy of fixing problems from a disaggregated structure. In contrast, the corporate strategic approach is a top-down focus on the creation and capture of synergies to justify the structure. The difference in practice is that the corporate approach regards as its mission the creation of a whole that is greater than the sum of the parts, whereas the public service approach focuses on the problem that, in operation, the whole is somewhat less than the sum of the parts, and there is an ongoing (but never satisfied) need 'to catch up'.

Beyond the philosophical foundations of various business forms and the structures and processes for capturing and distributing a variety of synergies, there are important contextual differences that can drive competitive advantage. Key differences include the presence of political as well as commercial risk, the diversity of services, the high degree of interdependence amongst public service activities, the 'enduring' nature

of the public service (indeed, it cannot fail), the matters of time and intergenerational equity, and its role in the maintenance of trust in government. Other differences, noted by Mulgan, include constraints such as the existence of political factions and the limitations of tax-raising powers; whilst Alford and O'Flynn include the use of public power, the political benefits of externalisation, and the role of the public sector as custodian of values orientated to the public interest (e.g. probity and fairness) as complicating contextual factors (Mulgan 2009, p 22; Alford & O'Flynn 2012, pp 44–49).

Some differences between public and private sectors are merely matters of degree; for example, the ultimate limits placed on departmental expenditure by the government's exercise of its tax-raising powers, product diversity and complexity. In contrast, the existence of political benefits of externalisation, the role of custodian of public values, a concern for external effects, the need to 'see' all Australians, the impact on trust in government of public administration failures, and the matter of intergenerational equity, are not matters of private sector concern and are genuine points of difference between the two sectors.¹

In turn, a number of these 'differences' are the foundations on which an activity is considered appropriate for public sector intervention and management. And, in some cases, the argument for government intervention extends through to public sector delivery of the good or service whilst, in others, the argument for a direct role for government stops with the intervention, and outsourcing becomes feasible. In that instance, factors such as the availability of suitable external options for outsourcing and the impacts on internal operations of such activity, enter the calculus.

When considered within the ambit of activities that a government chooses to undertake, some of these factors are likely to be more important than others in determining the competitive position of the public service in policy formation and service delivery. The strength of potential competitive advantage for the public service is not necessarily tied to these differences – a mandate is different from a potential competitive advantage. At the level of individual services, the distinction between the provision of

1 There are, arguably, parallels between public sector political risk and private sector reputational risk.

standardised and tailored services is important, especially when viewed from the perspective of management of a portfolio of diverse and complex services, which enables the development of organisational competences.

For instance, in the case of service diversity, Ian Miles has noted the different patterns of interaction between suppliers and clients, distinguishing between the provision of relatively standardised services, and services negotiated between supplier and client. Miles points out that specialised services require greater exchange of knowledge between service provider and client, and that the learning process is a fertile basis for innovation; this provides opportunities for the creation of competitive advantage in the latter that are not available in the former (Miles 2005, p 441). Similarly, in the case of complexity, Alford and O'Flynn point to the interdependencies, both service and organisational, that can form the basis of public service competitive advantage (Alford & O'Flynn 2012, p 45).

Moreover, based on Williamson's notion that it is harder to write a suitable contract in circumstances where 'the product' is not standardised – both in terms of the services to be delivered and in terms of the costing of the services – than under the alternative situation of routinised services, contract writing and management in circumstances of diverse and complex products can be another basis for the development of competitive advantage. There are strong arguments for recognising these as sources of competitive advantage for the public service in competition between public and private sectors for policy advisory and service delivery activity. These possibilities at the program and service level, once elevated to the department and whole-of-public-service level, offer a basis for the creation of public service competitive advantage.

In so arguing I propose that it is not the absolute advantages of the public service that enable it to compete more effectively with the private sector for the business of public administration, rather it is the competitive advantages. This view – that the public service has opportunities to create competitive advantage through the taking of a systemic view of their activities – is reinforced by Porter's notion of economies of scope: where systematic and systemic knowledge of the breadth and diversity of the services to be delivered is required to best tailor services to individuals. This notion equally applies where there is a breadth of services to be delivered to individuals, as in the human services case; where the manner in which the impacts of these services overlap is uncertain; where rules

cannot readily be written for the management of these overlaps (and for delivery contracts); and, whether they are positive (reinforcing) or negative (destructive) in nature, where the cost, management, and outcome arguments for one service provider is strong.

8.3 Industry attractiveness

8.3.1 The concept and its relevance to the public service

Fig. 8.1 identifies the two components of competitive advantage described by Porter, the first of these being industry attractiveness, and the second relative competitive position. The relevance of industry attractiveness in a private sector context goes to the choice of industries in which to compete, and there is a broad range of factors that can influence the attractiveness of industries to corporations – these are commonly considered in terms of market structure and market conduct. Key elements of market structure include buyer and seller concentration, product differentiation, the rate of technological change, the barriers to entry of new firms, the level and nature of government regulation, industry growth rate, the ratio of fixed to variable costs in the short run, and the price elasticity of demand. In turn, market structure helps determine market conduct and, together, they determine individual firm and market performance.²

When considered in terms of the overall business of government, the public service as captive to the public sector has no such apparent choice of industry. It is a creature of the government created under an Act of parliament specifically to do the bidding of governments and, fundamentally must do what it is told to do, where it is told to, by the government of the day. Indeed, the public service is in the unenviable position of being tied to its ‘industry’, arguably having a monopoly customer, facing competition across the range of activities that it is required to undertake, and with limited apparent capacity to compete.

² Interestingly, national trade practices legislation does not commonly bind government entities by similar competitive constraints, which is a relevant point in relation to public sector competitive positioning.

The role of the APS as principal official policy adviser to ministers is executed through departmental secretaries. The use of the word 'principal' admits the presence of other 'official' policy advisers, and places no limit on 'unofficial' policy advisers. In practice, governments and ministers take advice from many quarters and often in competition with, or as a substitute for, advice from the public service. Similarly, in its role as manager ensuring delivery of government programs (again through departmental secretaries), the APS may have an overarching role in management, but faces systematic 'competition' in service delivery, which is internally driven through the Australian Government's Efficiency through Contestability Programme. These important considerations for competitive positioning raise the question of whether the public service has the capacity to improve its 'industry attractiveness', tied tightly as this element of competitive advantage is to the fortunes of successive governments.

The public service has a strong incentive to improve its competitive advantage, given that the 'industry attractiveness' of government, at least from a community standpoint, is diminishing. Furthermore, from a public service perspective, the business of government can be described as having declining attractiveness. It is becoming more difficult to execute as time goes by; the electorate is becoming better organised, better focused and seems to understand the benefits of building issue-based coalitions better than the government; the major parties are increasingly struggling to govern in their own right and fragmenting, while the number of small parties is growing in number and numbers; social media is proving a powerful weapon for local and vested interest groups to broaden interest in their issues and thereby raise the political stakes; the increasing turnover of governments and party leaders within government is making the task of senior public servants ever more difficult; global and local fiscal pressures, along with changing ideological views, have led to targeted reductions in public service numbers; and effective external stakeholder management is both a growing issue and something of a slippery slope for public servants.

Add to this list the loss of career opportunities in the public service, the rise of wicked problems, and the low and declining community regard for politicians, then a picture emerges of a public service operating environment that (a) has substantially deteriorated in the last 30 years, and (b) is likely to continue to deteriorate in the absence of any game changer. Moreover, most of these factors have a cost to the community

in terms of diminished government and public service productivity and effectiveness and point to a rising cost of governing. If it were possible to measure the cost of governing on a standardised outcome/value basis, it would likely reveal that the (unit) cost of government had risen several fold in real terms over the last 30 years. If the public service were a private sector business, it would surely be looking to address the attractiveness of its industry as long as it remained there, and equally surely would be looking to find more attractive industries for its shareholders' capital.

At the same time, casual observation suggests that the general community continues to hold the public service in relatively high esteem – certainly their frontline public servants – and politicians in relatively low esteem, and that it looks to the public service to make an important contribution to the quality of government that it receives. The public service can, thereby, raise the general perception of government performance and its perceived legitimacy by improving its own performance in this regard, and/or attempting to improve the performance of the government (as perceived by the community at large).

The statement of APS values and associated characteristics contained within the Public Service Act provides a ready framework within which to develop a systemic and systematic approach to this challenge. The public service could usefully develop a plan that demonstrates and markets their active pursuit of these values through their associated behaviours. The Act provides a broad canvas on which this might be done, setting out five values – committed to serve, ethical, respectful, accountable, and impartial – and a raft of associated lower-level characteristics, including professional; objective; innovative; efficient; demonstrates leadership; is trustworthy; acts with integrity; open and accountable to the Australian community; apolitical and provides government with advice that is frank, honest, timely, and based on the best available evidence. The Australian public expects the public service to demonstrate these characteristics behind closed doors, and it should welcome and value their public demonstration.

A simple approach to this challenge would be for the public service to measure annually its performance against behaviours consistent with these values, and in a way that spanned key stakeholder groups. One measure would involve comparing internal and external perceptions. A more sophisticated approach would attempt to construct an integrated performance index assigning weights to the measured values/behaviours

as a starting point. A further level of sophistication could involve a comparison of performance with aspirations. Importantly in any such exercise, the public service must acknowledge the three communities – the government, the parliament and the Australian public – along with major contractors, suppliers, for-profit and not-for-profit groups, and services recipients. The results will likely vary considerably in terms of the different stakeholder groups and the values they place on different behaviours.

For example, the Australian public will be most inclined to assign top weights to those characteristics associated with demonstrated professionalism involving impartiality and the provision of frank advice, along with the quality of the interface in the public's role as service recipients. While the government assigns top weights to qualities such as commitment to service, respect, and trustworthiness, the business community rates most highly public service access, along with demonstrated efficiency and productivity. The public service may give more weight to leadership (including by agency heads and the Secretaries Board), coordination, innovation, integrity and trust than other parties and see those as integral to its effective, ongoing operation. On a paired basis, the public service would undoubtedly value measures differently in light of the communities they serve, and in turn find significant variation between each pairing.

Such an annual market-research exercise would be a useful way to open up a continuing internal discussion about how the public service might best serve its legislated triad of communities, with this discussion being facilitated by a diagnostic element in the market research. Active marketing of the results of these surveys through an expanded stakeholder management program would have dual benefits. This market research could usefully build on the present annual public service surveys and capability reviews undertaken by the APS Commissioner.

The public service could also build itself as an integrated entity, not just rebuild it in the image of the postwar public service, but in the manner of an integrated corporation. This would contribute substantially to the effectiveness of the APS by removing confusion in the minds of many public servants, who almost certainly believe that there are many versions of the APS built around departments. It might also encourage more cooperation and less competition for resources within the public service. As Ian Watt, then secretary to the Department of Prime Minister and

Cabinet suggested in a speech to the APS, the public service could start the journey forward ‘by seeing ourselves as one APS and behaving as one’ (Watt 2013). The establishment of ‘one APS’ in the minds of the private, not-for-profit, and community sectors, would also contribute to public service productivity by diminishing attempts by outside parties to wedge departments to gain leverage in securing favourable ministerial and cabinet decisions.

Thirdly, the public service could endeavour to directly raise the standing of the government in the community. Externally identified shortfalls in whole-of-government coordination, governance at the policy/program/project levels, and the reporting of outcomes from government expenditures are areas where the public service has primacy of action. Demonstrated success in these three areas would garner increasing support, certainly across parliament and the Australian public.

To achieve improved community standing the public service must get on the front foot, rather than finding itself continuously on the back foot with negative reports from the various watchdog and integrity bodies, which are picked up by the media. The public service needs to take control of its image (its ‘brand’) and actively demonstrate qualities that its stakeholders want to see, within the bounds of ‘enduring’ and ‘looking over the horizon’. It needs to conceive of itself in terms of the various elements of a brand and market itself accordingly. The starting point for such a journey should be external perceptions, expectations and aspirations for the public service.

8.3.2 Trust in and the legitimacy of government

Arguments suggesting that the cost of governing is steadily rising have primarily focused on the administrative – that is, public service – level of government. Additionally, however, cost measured in terms of overheads as well, including the costs associated with elected officials and the operations of parliament, along with the various watchdog and integrity bodies, should also be included. I have questioned the efficiency of existing organisational structures within government, along with the effectiveness costs (benefits foregone) of the chosen structures. I argue, following Oliver Williamson, that large and growing structures create inefficiencies, and that given the starting size and growing propensity to create super-departments within government, there is good reason for the

public sector to look for new organisational structures to properly match the tasks of government. The unit cost of government – considered in terms of the cost of delivering a unit of public value – is rising steadily.

A central concept in this notion of cost is associated with trust in and the legitimacy of government. In an ABC News Vote Compass opinion poll (149,000 respondents) ahead of the 2016 Australian federal election, ABC News reported that ‘Malcolm Turnbull leads Bill Shorten on the question of who voters trust’. On a 10-point scale, this lead was one point averaged across two questions about the trustworthiness and competence of the three major party leaders. The fact that the incumbent prime minister’s rating averaged five points on a 10-point scale (5.3 for ‘competent’ and 4.7 for ‘trust’) drew no comment from the media, although in the private sector and, no doubt, in the media itself, such low performance ratings would see incumbents very quickly pointed towards alternative career opportunities by their employers.

The community has unfortunately become inured to poor performance from governments. Yet this poor performance challenges the legitimacy of government itself, and directly impacts on the ability of the public service to serve the government of the day. It is for this reason, and the costs that this imposes on our community, that I am interested in the concept of the legitimacy of (the Australian) government. My focus is not the underlying authority that established legitimacy but, rather, the impact of the practice of government on this notion.

Simon Longstaff (2015) points to a community-wide phenomenon where individuals and institutions look one way and go the other, say one thing and do something else. According to Longstaff, this can be observed in a range of institutions, such as corporations (e.g. financial institutions), religious organisations, or public institutions like parliaments, political parties, and politicians. This practice has reached the point where there is deep and public questioning of these institutions and the individuals who (allegedly) serve them. He suggests that many institutions that were established with great moments of insight have been allowed to develop ‘all sorts of magnificent elements in their exterior’ whilst the insights that gave rise to them have been forgotten. He further describes the hypocrisy practised within our great institutions by people who look one way and go another as producing cynicism that eats away at the bonds of association within a community or weakens an institution.

Longstaff continues that political systems should be defined by where the ultimate source of authority happens to lie. In the case of a democracy, the source of authority is ultimately located in the persons governed and absolutely essential to this is their giving consent to be governed. He further argues that the gold standard is informed consent, and the only way that this can be achieved in a democracy is if those who are seeking to exercise public power through the result of an election give a truthful account of what it is they propose to do. Longstaff argues that politicians with their partial gaze, with their custom of looking one way and going another, and with their temptation to claim that they have a mandate, even though what they do might be at odds with democracy itself, are having a profound effect on (community) trust not just in politics and political parties, but in our political institutions.

The concept of trust is vital to the effective operation of our political institutions. Longstaff notes that high-trust systems operate with little cost, whilst low-trust systems are expensive to operate. He points to the Independent Commission Against Corruption (ICAC) and a parliamentary ethics commission in New South Wales as examples of cost generated when trust breaks down. There are many such examples across the national and state parliaments involving the establishment of anti-corruption commissions (but not yet at the national level!), ombudsmen, lobbying registers, ‘commissioners’, and others to deal in an ex post and costly manner with the administrative failings of our system of government (pointing to an important absence of adequate ex ante incentives embedded in our political systems and processes).

Perhaps the high-water mark of this failure is the appointment of a freedom of information (FOI) commissioner in Victoria in 2012 to deal with the tardy compliance of public sector entities with the *Freedom of Information Act 1982* (FOI Act). The legislated role of this commissioner is to educate and monitor compliance with the Act (but not resolve complaints), functions that already lay within the ambit of the auditor-general’s brief and on which compliance the auditor-general had been highly critical in the past. In its last systematic audit of agency FOI performance in 2012, the Victorian Auditor-General’s Office (VAGO) noted that the public’s right to timely, comprehensive, and accurate information was being frustrated by a systemic failure by the Victorian public sector to support this right in line with parliament’s intent, and that the prevailing culture and lack of transparent processes was allowing the responsible officers – secretaries and chief executive officers of agencies – to avoid fulfilling their

responsibilities (VAGO 2012). In a subsequent report, *Access to public sector information*, to the Victorian parliament, the VAGO was highly critical of both the agencies with whole-of-government leadership and oversight, and those with primary information management responsibilities (VAGO 2015).

A further example of declining trust in our political system involves the sale of public assets. Rod Sims, chairman of the Australian Competition and Consumer Commission (ACCC), stated in 2016 that he had been a strong advocate of privatisation for 30 years but, in the face of government structuring of asset sales to maximise profits at the expense of consumers and businesses, he had almost reached the point of opposing it. This was damaging Australia's cost structure and increasingly being opposed by 'people in the street' because of rising prices (ACCC 2016).³

These sales are reflective of politicians with short decision-making time horizons and implicit discount rates way above community and standard public sector (even private sector) rates. The downside of the sales bonanzas claimed by politicians when proceeds exceed expected rates is, unfortunately, much higher future fees and charges. Where sales prices should reflect an appropriate social (i.e. public sector) discount rate (where social rates clearly lie somewhat below private sector rates) it is arguable that any such sale based on private sector discount rates will result in consumers being short-changed.

The point of this discussion is that the Australian public already bears a high cost for a lack of trust in our political system. As Longstaff points out, it is costly to make allowances for political commitments that possibly (probably?) will not be honoured. The 'expense' is not just monetary but includes the depreciation of the robust character of our democratic processes. In noting this decline, Longstaff observes three features underlying the change: parliaments do not belong to political parties, rather, they belong to the citizens; political parties are, after all, private associations with every right to pursue the objectives for which they were formed; and politics is more focused on the gaining of power than a shared understanding of the purpose for which power was being sought.

3 See also Potter (2016).

Longstaff concludes that this decline in trust, the absence of informed consent, the determination to express all discussions in some kind of demonstration of economic utility, the absence of an ethical dimension to the discussion of politics, and the political parties contending for power in ways that destroy trust in our institutions, are leading towards a loss of legitimacy. Worryingly, he argues, while we can survive a loss of trust at some financial cost, we cannot survive a loss of legitimacy. Legitimacy, he argues, comes partly from tradition, partly from the integrity of what is done, and partly from competence but, ultimately, the legitimacy of democracy derives from consent and the quality of consent.

In closing, he points to methods of possible repair. The first is to develop a common ethical foundation for the way in which politics is practised in Australia. The second, which is relevant here, points to the need for another discussion about the role of the APS, which in the presence of the partial political gaze of these times – for example, on marginal electorates and ‘high-yielding’ classes of citizens – Longstaff argues is the one bit of government that must see every single citizen, irrespective of where they live and what electorate they are in. He suggests that the realignment of the APS with the interests of the government of the day, which took place during the 1980s, deserves a solid rethink given the ongoing consequences.

This view aligns with the historical review of the impact of the New Public Management reforms, the comments from APS commissioner Stephen Sedgwick in the 2013–14 state of the service review, and with the observations of Laura Tingle in her 2015 *Quarterly Essay*. It also finds a place in Chapter 2’s discussion of the role of the customer, which referred to the role of the customer in considering the task of government and briefly examined the development of the concept of public value. The three components of public value offered a new paradigm and a different narrative for public sector reform on the basis of the services (seen as the vehicle for delivering private value); the program aims and outcomes (which include higher-level aspirations of other citizens); and the impact on, trust, legitimacy and confidence in government.

The legitimacy of our parliamentary institutions and the associated level of ‘trust’ in our politicians is an important structural feature of ‘the industry’ in which the public service competes. As such, the public service has an interest both in capturing it as part of its role in performance measurement and good governance, but also as an incentive to improve it as one of the key structural features of its industry impacting on its

activities. Whether trust in the public service should be conceived as a separate measurable from trust in the government is a moot point, but clearly the public service has a strong incentive, closely aligned with public interest, to change existing perceptions of government and improve the attractiveness of its industry.

8.4 Competitive positioning

8.4.1 The core competitive strategies

The second part of the public service strategic challenge is to determine how best it might compete within the given landscape of its government-legislated domain. To do this it must establish what its markets are, who its competitors are in these markets, what the modes of competition are, and determine where and how to outcompete its rivals. Whilst the public service may sometimes have little choice about the competition it confronts, it does have control over how and where it competes.

Porter identifies three generic organisational positioning strategies – cost leadership, product differentiation, and focus – and he uses the value chain to disaggregate and reassemble the activities of the firm around customers as the foundation of competitive positioning and competitive advantage. In the private sector, a strategy of cost leadership, for example, might be successful where there is a sustainable cost advantage. This cost advantage might derive from scale; for example, with economies available in one or other important inputs; or it might result from access to a specialised input not readily available to competitors. An example of the former might be a raw material and of the latter specialised workforce skills. In the case of the public service, an example of the former could be military intelligence and the latter could be diplomatic skills.

A competitive advantage from product differentiation occurs when a set of product features deliver greater benefits to customers than competitors' products. The source of this advantage can lie with exclusive access to a specialised input, such as intellectual property, a proprietary delivery system, unique product design features, or even the materials used in a product. Examples of this advantage associated with the role of the public service could be product consistency associated with scale, for example, in the provision of schools and hospitals. It might also exist where national standards are seen to be an important part of the creation

of public value and where there is seen to be a provider of last-resort responsibility residing with the state and, especially, associated with the tailoring of packages of services to individual needs.

Deriving a competitive advantage from focus is harder to define. Porter defines this advantage in terms of the disadvantages of its alternative, namely the existence of costs of coordination, compromise, or inflexibility in serving multiple market segments. By optimising its value chain for only one or a few segments, the focuser achieves cost leadership or differentiation in its segment or segments compared with more broadly targeted firms that must compromise. As Porter explains, a focus strategy involves the entire value chain, not just one functional activity. The competitive advantages of this strategy may, however, derive primarily from one activity in the chain (Porter 1985, pp 15–17, 264–71).

Overlapping with each of these strategies lies the strategy of scope, which can be defined in either supply (or cost) or demand (revenue) terms. When considered in supply terms, an organisation may be able to purchase inputs more cheaply on a unit basis by servicing more than one market with its products (as long as there are no compromises necessary when focus is diluted). When considered in demand or revenue terms, benefits of scope are derived from the customer value generated by supplying more than one product to a customer. An example of the latter occurs with complementary products through brand extension. Scope lies on the opposite end of the same spectrum as focus and, in reality, it is not so much a third generic strategy but one derived from another generic strategy (Porter 1980, pp 53–59).

As discussed in Chapter 4, the role of government is built on the notion of interventions in an otherwise effectively functioning economy and society. These ‘interventions’ occur for a variety of reasons based on the public good, inherent market under- or over-supply, and a mismatch between market prices and social costs and benefits. Other reasons for desirable public interventions in the economy are based on the absence of markets in social goods and services. Many of these interventions have an associated layer of public or merit goods and public value in addition to the private value. The reason why governments provide particular goods and services can incorporate a mixture of these factors of market structure (e.g. natural monopolies); cost, customer, or community bases; and the

existence of externalities. Some interventions are based on comparative advantages (relative advantages based on matters of degree), whilst others are based on absolute advantages.

The complex nature of supply-driven government activities does not readily lend itself to the simple framework of consumers and markets driven by private costs and benefits that Porter creates for strategy development purposes. This is unsurprising given the focus of corporate strategy on the customer as the driving force for existence, and the focus of government interventions on perceived gaps in supply. There is a difference between a *raison d'être* of creating supply and one of creating demand. It is the fact of competition for the business of government that makes Porter's framework applicable to the activities of the public service, and the interdependencies between the policy advisory and service delivery activities pointed to by Alford and O'Flynn that defines the nature of public service competitive advantage.

There is also a difference between the inherent advantages that government may have for the initiation of supply, and the choice between public service and private sectors for its delivery. The discussion that follows is based on the assumption that the government decision to supply is taken in principle, but the detail of program and service choices, the choice between public and private sector supply, and activity governance is yet to be determined.

There is no data for the second core strategy – cost differentiation – when considered in terms of the central markets for policy advice and service delivery. Broad-based observations, however, point to the need for further examination of this matter, starting with the policy advisory role. The complex policy advisory market is played out behind closed doors, with many and often changing groups of both internal (to government) and external players, some offering 'free' advice (e.g. lobbyists, think tanks, internal advisers), and others (a variety of specialist and generalist consultants) offering advice for a fee.

Our nation is shaped in this shadowy market of political donations and deals, where government ministers exercise largely unfettered and unaccountable power. In this market – where the APS is competing both for influence and the national interest – the public service usually maintains a competitive quality advantage when it comes to knowledge of the public administration and customer-based components of government. This

advantage is balanced, however, by lobbyists and consultants who have more detailed knowledge and ready access to the local industry dimensions (the supply side of the market) and the international dimensions of the policy challenge. In addition, the advice of lobbyists – but not consultants – is invariably free and often backed by a tailored piece of research.

The public service has a distinct cost advantage when it comes to front-end policy formation where open processes are to be pursued, and where all reasonable options are systematically identified and assessed on the available evidence. Consulting firms charge a daily rate of up to five or 10 times public service direct costs. In addition to the direct and short-term costs considered here, there are also the longer-term opportunity costs, which are associated with loss of corporate memory and capability with outsourcing the important policy advisory role. ‘Cost’ (short or long term), however, is not the prime criterion on which advice sought by politicians is valued. Rather, it is a combination of the perceived independence (or, more accurately, the plausible deniability of its absence), the reputation of the provider, risk aversion (which manifests itself by a desire for third-party service provision), and the likelihood that the result will be ‘acceptable’.

When it comes to service delivery and the consideration of cost differentiation as a strategy, there is a more formal market established under the government’s Efficiency through Contestability Programme. In the face of the underlying ideological bias, the overt political desire to use this as a downsizing tool, the loss of institutional memory and strategic capabilities, and the cost biases built into the processes, this is a problem for the public service that is unlikely to be overcome through improved efficiency. The public service has been deliberately placed at a competitive disadvantage by the government. Cost is seen as central in service delivery (which it should be but not in its present form) and largely irrelevant for policy advice (although it should not be).

Were ‘cost’ to include both the short-term direct (out-of-pocket) costs, along with longer-term and opportunity costs, the public service would have a much stronger demonstrated competitive position in its policy advisory and service delivery roles than is accorded it by any contestability program. This overall cost-based position would be further strengthened if the policy formation and advisory function of government were subject to the same government watchdog and integrity body scrutiny as their expenditure and service delivery activities. Process and value-for-money scrutiny would add transparency and integrity to the processes, and

lead to the highlighting of cost differences that would materially aid the establishment of a level playing field for the public service in competing for the business of government.

The application of the notion of product differentiation to the activities of the public service is best encompassed within the interdependencies pointed to by Alford and O'Flynn (2012) that describe public service advantages over the private sector (and non-profit competitors). These interdependencies may exist in the conception and design of services to complement existing services; they may exist in the identification for the delivery of services jointly; and they may be found within existing policy groupings, and within and across departmental boundaries. In a world in which public value became the standard-bearer for public sector effectiveness, the position of the public service in supporting government would be further strengthened by its understanding of the business of government and its capacity to develop appropriate measures of the second and third elements of this criterion, namely the community (non-consumer) valuation of individual services and its contribution to the legitimacy of government.

The public service is uniquely placed to occupy this ground because only it has a clear line of sight from the ideological foundations of policy, the conception of particular policies, through service delivery to valuation and back again. It is the interdependencies of these parts, whether viewed in terms of the aggregate of departmental activities, individual departments, individual policy frameworks, programs or services and governance that is the competitive advantage of the public service. However this advantage is described, in cost (i.e. the cost of public administration) or product differentiation (i.e. the service provided to the government) the advantage is based, in terms of the Porter schema, on scope. The competitive positioning and advantage of the public service lies in its systemic view of the role of government, and unique understanding of the interrelationships of the parts, and their prospective contribution to the whole.

When seen in terms of whole-of-government policy formation and service delivery, these 'parts' become a supply chain commencing with the ideological foundations, political belief systems, and derived societal goals; and moving to the policy frameworks, policies, programs, services (and solutions) that are delivered; the organisational and administrative systems options; and the service delivery, accountability and governance

choices to be made. The chain should also extend beyond the traditional public service focus on public administration to active engagement with the national interest and the legitimacy of government, which is a clear point of product difference with most third-party advisory and service providers.⁴ The advantages of access and physical and legislative proximity to government should also be considered for identification and exploitation by the public service.

Just as grasping and implementing this concept of scope is important to the overall competitive positioning and construction of sustainable competitive advantage for the public service, so it is important to build this advantage on a strong competitive position in the policy field. Policy is ultimately the best vantage point from which to see the whole supply chain. It is the policy choices and their ideological foundations that determine the deliverables of governments and (should) shape the governmental structures and administrative systems that establish how they will be delivered and measured. Good policy practice sees as a whole all of the activities involved in the process of meeting government objectives, from the choice of policy frameworks and instruments through service delivery to accounting for the meeting of these objectives. Only the public service has an interest in the whole system, from the initial stages of policy formation through to its implementation and evaluation. A strong competitive position in the policy formation market is critical to a successful public service-wide strategy of scope.

This recommendation – of building a competitive advantage around scope, based on strength in the policy advisory position – is consistent with Porter's notion of the value chain, where a competitive advantage across a range of activities is often built around one element. The public service cannot afford not to be (more) competitive in this field. This policy-driven competitive advantage must be based on systematic research across jurisdictions; the construction of an evidence-based knowledge bank on policy frameworks, programs and services; the delivery of services, and the supporting governance structures and administrative systems used to monitor performance. It must capture, evaluate and disseminate its

4 It is arguable that the ultimate and critical (from a public policy standpoint) competitive advantage is organisational motivation, which is the primary difference between the public service and its competitors. For private sector competitors, this motivation focuses on the goals of its shareholders, whilst the focus of the public service is on the national interest. The resulting differences can be substantial in the case of policy advice but are narrower in the case of service delivery activities. As noted, however, it is with the former that real damage can be done to the national interest.

corporate experience and promote the benefits of this system-wide view. It must also include data on competitors and accommodate the needs of institutional memory that is so lacking today. It must be complemented by access to systemic public sector frontier thinking on organisational structures and operations, and it should stay abreast of developments in the field of corporate management and strategy.

While there is evidence that the public service has belatedly adopted some of the management tools developed for private sector use over the last 40 or 50 years – whether it is the devolution of authority in the 1980s, the recent discovery of innovation, or the information technology–driven projects of today, even the introduction of executive bonuses in the 1980s and the (recent) establishment of super-departments – the public sector has variously been tardy, failed to learn the lessons of private sector experience, and has often poorly implemented these tools.

8.4.2 Interrelationships amongst business units

In addition to the competitive strategies that an organisation might employ at the product and market (business unit) levels to build competitive advantage, there are other, corporate, strategies that enhance the competitive position of organisations in these separate markets. In promoting the benefits of these horizontal strategies, Porter provided some history that resonates today when taken in conjunction with Alice Lam's history of organisational innovation (2005) and Walter Kiechel's review of management in the 20th century (2012). The strategic role played by the head office in the building of synergies between the various divisional units, so-called horizontal strategy, is of key interest here.

Porter noted that the concept of synergies was used as justification for many corporate mergers and acquisitions in the United States during the 1960s and early 1970s. The foundation of this concept was the corporate-level synergies to be created through the sharing of risks and economies of scale, which were to be cascaded down to the business units. Enthusiasm for the concept waned in the absence of their materialisation and was followed by decentralisation with authority for results devolved to business unit managers. Porter argued that there were forces at work by the mid-1980s compelling firms to re-examine their attitude to synergy. Since then, the ambit of corporate strategy has built on the notion of value to be created between businesses internal to an organisation, then extended to include a focus on formal alliances with external organisations (e.g. pre-competitive

alliances in technology development), and subsequently extended to a broad range of formal and informal networks and arrangements spanning most business functions (Porter 1985, pp 317–23).

The public service has followed the private sector in the establishment of formal alliances with external parties, most notably through the use of public–private partnerships and, as noted in the discussion of models of governance, is now using networks to engage with a widening range of third-party collaborators. The weak part of the cooperative toolkit lies with the core business of delivering a whole-of-government approach to services and solutions, being somewhere still stuck in the decentralisation phase of the 1980s, and having ignored the focus on the systematic construction of synergies across the whole organisation. Even though Porter was writing in 1985, and about the private sector, his words are startlingly relevant to the contemporary public sector, given that present-day academic literature and auditor-general reports around the globe note the shortcomings in public sector coordination and the pressures for more effective coordination at the whole-of-government level.

Porter points to three broad types of interrelationships amongst business units: tangible, intangible, and competitor relationships. Tangible interrelationships arise from opportunities to share activities in the value chain among related business units due to the presence of commonalities of various types among buyers, channels, technologies and other factors (Porter 1985, pp 322–26). They lead to competitive advantage where cost or product differentiation benefits are gained. The former might derive from economies of scale, whilst the latter might derive from added customer value. Porter usefully notes that there are costs to sharing, including costs of coordination, compromise and inflexibility, and Williamson reinforces this point from a transaction-cost perspective. The other useful reminder from Porter is that some such relationships are more beneficial than others, not so much because of their intrinsic value but because they are more difficult for competitors to match.

Intangible interrelationships lead to competitive advantage through the transfer of skills (and experience) amongst the separate value chains. These relationships are important to competitive advantage where costs are lowered or differentiation is enhanced. Porter points to these relationships arising from a variety of similarities amongst business units, including similar classes of customer, similar generic strategies,

and similar configuration of the value chain. He points to the necessary importance of identified similarities for competition if they are to have any commercial value.

Porter's third category of interrelationship is also of interest and relates to competitor interrelationships. Such relationships are present when a competitor competes with a diversified firm in more than one (common) business unit. These are so-called multi-point competitors. Single-point competitors with different patterns of interrelationships are also important because they bring different sources of competitive advantage to an industry. Porter argues the general case for explicit horizontal strategy and makes a number of important points in the context of the weaknesses of horizontal coordination in the public sector.

The first is that large, diversified organisations impose costs on their respective business units – through overheads and constraints imposed by corporate policies. Aggregation is a liability in a corporate context when the organisation does not make an offsetting contribution to the competitive advantage of the business units. The aim of horizontal strategy is to coordinate the goals and strategies of the business units to create opportunities for offsetting contributions and competitive advantage in individual business unit markets.

According to Porter, horizontal strategy cannot be left implicit or allowed to emerge from business units on a bottom-up basis. In the absence of a corporate-led horizontal strategy, the pressure is to optimise individual business unit performance at the expense of corporate performance.⁵ In the same vein, without such a horizontal strategy, business units may value interrelationships differently (they may deliver differential benefits) making it difficult to achieve agreement; business unit strategies may well weaken the competitive position of other business units by not taking the broader view; coordinated pricing and volume strategies across business units may deliver corporate benefits through, for example, increased purchasing power; business units tend to form alliances outside rather than inside the organisation; and, transfer of know-how amongst similar business units will not occur (pp 365–68). Overall, Porter argues that 'Without an explicit horizontal strategy there will be no systematic mechanism to identify, reinforce, and extend relationships' (p 368).

5 Arguably, the same pressure exists within super-departments at business unit and function level.

Porter develops a seven-part process of strategy formulation for horizontal interrelationships embracing identification of tangible interrelationships, tracing them outside the boundaries of the firm, identifying possible intangible interrelationships, identifying competitor interrelationships, assessing the importance of interrelationship to competitive advantage, developing a horizontal strategy to enhance the most important interrelationships, and creating horizontal organisational mechanisms to assure implementation (Porter 1985, pp 368–75). Importantly, Porter also discusses the impediments to achieving these relationships. He outlines many challenges, including asymmetric benefits, loss of autonomy and control (especially important where there is a long history of decentralisation), different cultures, different procedures and supporting technology, perceived dilution of buyer relationships, turf protection, and biased incentive/reward structures. And he goes on to discuss a number of mechanisms that can aid in the achievement of successful interrelationships in the face of these difficulties.

Importantly, Porter points to the difficulty confronted by firms in achieving interrelationships in practice. He believes there are many ‘natural’ barriers to the successful implementation of such a strategy and that, unless a detailed and integrated process is carefully laid out and the whole process is carefully documented at every step along the way, and unless both the corporate head leads and divisional heads ‘sign on’, failure is almost inevitable (Porter 1985, pp 368–75).

In closing his discussion of horizontal interrelationships, Porter discusses the shortcomings of the multi-divisional organisational form popularised by Williamson in the academic literature (Williamson 1970, pp 113–17). Porter points to the need for further evolution of the M-form to produce a new organisational form that rebalances the prevalent concept of decentralisation in diversified firms with an overlay of mechanisms to achieve the important horizontal interrelationships. Porter suggested that divisionalisation in its traditional sense was no longer appropriate in many firms, noting that the new requirements of the diversified firm were for less simplicity, greater ambiguity, more subjectivity, and potentially more conflict (Porter 1985, pp 414–15). He noted that the new organisational form required a modification of rigid or narrow views on autonomy between the centre and business unit executives.

It is ironic that the public service around the globe adopted the divisional, decentralised organisational model at the very time that the private sector was experiencing misgivings about its utility. The public service implemented a restricted version of the M-form model, removing the top two layers and thereby compounding the difficulties of horizontal coordination. This mistake is yet to be rectified and, based on the view that at the operational level the distinguishing feature of the public sector is the extent of the existing horizontal relationships, this failure has almost certainly come at a cost and continues to undermine the effectiveness of public administration. Further, the creation of horizontal relationships through the diversity of public service activity, noting Porter's observation that diversity does not imply the absence of interrelationship (Porter 1985, p 415), should be encouraged. From a strategic management standpoint, the management of the horizontal relationships between departments, programs, and services remains virgin territory.

Finally, while the field of corporate strategy has moved on since Porter's observations in ways that recognise the need for greater urgency in responding to environmental change, in the face of greater environmental ambiguity, none of the associated developments has diminished the prospective benefits from improved horizontal cooperation in the public sector. Indeed developments in networked government have increased the demand for and benefits from both internal and external cooperation.

8.5 The markets and players

8.5.1 How many 'markets'?

There are many external players involved in the business of government today. This should be no surprise given that the Australian Government is far and away the biggest business in the country with projected expenditure to exceed \$450 billion dollars in 2016–17 and accounting for over 24 per cent of gross domestic product. Taking a medium-term view of this expenditure could cast it as discretionary and, when allowance is made for the leveraging of significant parts of this total on shared projects with the states and territories as well as the private sector, the average annual amount of 'government' business to be 'won' by both government and non-government players is very large.

The business of government presents direct opportunities for many, including public servants, private sector suppliers of goods and services, politicians and their staff, professional lobbyists, and community-based and philanthropic organisations. It presents many businesses with sizeable commercial and rent-seeking opportunities, as well as individuals with a variety of employment opportunities inside and outside of the public sector. At the more senior levels of employment, career opportunities seamlessly cycle around in this milieu, moving from one sector to another with the individuals involved changing less regularly than the chairs they occupy. This happens nowhere more often than on the merry-go-round of public service media professionals.

A similarly concerning rotation takes place through ministerial and key business and community lobbying roles, despite legislation attempting to limit the impact of such activity. And ‘career’ public servants are not immune to this circus as they are attracted to senior government relations, consulting and public relations roles in the private sector. One measure of this interchange is provided by the Australian Government Lobbyist Register, which shows approximately 30 per cent of those on the register as former ‘government representatives’.

As Tingle points out, the turnover in public servants can be sheeted home in part to the outsourcing of important parts of public service activity, particularly high-level policy advice. This denies senior public servants opportunities to practise and develop their skills in this field, which is arguably the primary attraction of a public service career. This loss contributes to a loss of institutional memory and leads to short-termism in the business of government represented by a focus on issues management, and the making of and repetition of mistakes, rather than on good policy development and implementation. This situation is less than satisfactory and falls a long way short of the Public Service Act’s objective of establishing a career-based public service.

A discussion of public service competitive positioning requires consideration of the markets in which the public service competes, and the players within those markets. The taxonomy devised by Paul Windrum (2008; as discussed in Chapter 1, Fig. 1.3) is used to break public sector activity up into the manageable blocks of conceptual/ideological, policy frameworks, organisation/administration, services, service delivery, and

systemic. This typology assists in taking a broad view of public service activity but needs refinement to better reflect the markets in which the public service competes. In Table 8.1 I identify five markets.

The first market is the market for political beliefs, Windrum's first category of public sector activity of conceptual/ideological. The second market can be described as the policy market, incorporating Windrum's second category – of policy frameworks – but including the design of programs and services. The third market is the market for service delivery (as per Windrum). The fourth and fifth markets deserve more discussion.

The fourth market derives from Windrum's third category – organisation and administration. The (quantitatively) more important parts of the overall administrative task in which the public service faces direct competition lie with information technology and back-office functions. There is competition between commercial service providers and the public service. Being a strategic capability in regard to the delivery of effectively targeted services, and thereby the creation of customer value, this contributes to public service performance and is a field within which the public service must remain active.

The fifth and final 'market' is associated with the governance function, including performance reporting and compliance, and is the market for government governance. It is arguably part of the administrative function but deserves its own category. The APS has a, but not sole, responsibility for government governance. The government has established other public bodies to play in this space – the auditor-general, a number of ombudsmen, and a variety of 'commissioners' who, in part, play a similar ex post governance role. They exist largely to report on the activities of the public service and 'compete' for this market with the public service.

Windrum's final category – systemic – is omitted here. Described by Windrum in terms of third-party engagement, it is indeed an important enabling factor and with regard to innovation, it is an area requiring consideration. There is, however, no 'market' for this activity (other than perhaps an internal one of competition for attention and resources), but this category primarily focuses on how the other activities play out and does not in any way constitute 'a market' in which outside parties actively participate. In Porter terms, the relevant markets of conceptual/ideological, policy, service delivery, administration, and governance can be

regarded as the markets within which the external (to the public service) players and the public service compete for market share, influence and funds.

The systematic identification of the external players in the business of government across the identified markets is more difficult with elected officials who are subject to influence from many directions in the determination and administration of government services. Ideally the players can be matched with these respective markets and their nature identified as multipoint or single-industry competitors. Without that information available, an indicative approach as taken in Table 8.1 is the optimal way to list the players against the markets.

Table 8.1 Public service markets and players

External players	Political beliefs	Policy	Service delivery	Organisation & administration	Government governance
Public service	—	XX	XX	XX	XX
Universities	XX	XX	X	—	X
Think tanks	XX	XX	X	X	X
Political party machines	XX	XX	X	—	—
Professional lobbyists	X	XX	X	—	—
Industry associations	X	XX	X	—	—
CBO/philanthropic/not-for-profits	X	XX	XX	X	X
Major commercial beneficiaries	X	XX	XX	XX	X
Ministerial staffers	—	X	X	—	X
Citizens' action groups	X	XX	XX	—	—
Watchdog/integrity bodies	—	—	XX	XX	XX

Key

— no (known) involvement

X some involvement

XX strong involvement

8.5.2 The market for political beliefs

While embryonic in its content the following comments can be made on the basis of Table 8.1 above. Consideration of the various influences and influencers involved with the formation of political beliefs, the development of new ideologies and their consequent impact on public service activities indicates that the public service is not a player in this market. Interplay between party machines, universities, research institutes, and think tanks (some of which are established for this purpose) provide the interaction that determines what beliefs and policy frameworks elected parties bring to government. This is not, however, just an unbounded market for ideas. It is clear from the past 30 or more years of changing models of governance that what drives mainstream ideas of both the demand and supply sides of this market are global, social and economic trends, and these factors drive belief systems, organisational forms, and governance models across the whole economy, not just the public sector.

In this market, consistent with an observer status, the role of the public service is twofold. It must keep a watching brief on both the local and global debates and be ready to effectively implement the agenda of any government elected with 'new' political beliefs, world views and operating models. Equally, it must determinedly bring to its role institutional memory of the upsides and the downsides – what one commentator has referred to as the welcome transformations, unfulfilled promises and unintended negative effects of the New Public Management regime (Sørensen & Torfing 2012, p 6), which Tingle (2015) asserts is missing in the public service today.

8.5.3 The policy formation and advisory market

There are six overlapping groups of players in the policy formation and advisory market, which makes it the most competitive of the markets in which the public service competes.

1. The public service has legislated responsibility to advise governments on policy matters.
2. Party machines (and their assorted associates), universities, and think tanks, are likely to take an academic and/or holistic view of policy consistent with their production of political ideas.

3. Commercial purveyors of policy ideas, solutions and experience drawn from their experience in other jurisdictions, include generalist consulting firms and industry specialists.
4. Vested interest groups want a particular slant on policy for their members – these are primarily ‘industry’ associations with commercial, social, and environmental roots.
5. For-profit and not-for-profit groups are potential direct beneficiaries of government policy decisions. They include the major commercial entities (including miners, manufacturers, aged-care service providers, and banks), community-based organisations, and philanthropic organisations.
6. Uncommitted players who ‘facilitate’ meetings and representations amongst the other parties are usually with good access to the decision-makers – namely the lobbyists and ministerial staffers.

The basis of competition in this congested market should include local contextual knowledge and associated history, knowledge of the global market, cost, and the capacity to provide good advice about policy frameworks, policies, programs and services that meet government policy objectives. Once upon a time the public service had a monopoly on policy/service advice, but this has been eroded over a number of decades to the point where its capacity to provide solutions to policy problems that move beyond a local domain is in question.

World-class pockets of public service expertise exist that could undertake the highest level strategic/systemic policy advisory consulting projects. Moreover, most business people (and also a number of politicians) do not understand the concept of ‘policy’ beyond their immediate interests, so that those with a broad-based understanding of public policy, namely the public service, should be able to build a competitive advantage. This should be the ground on which the public service establishes its primacy across the business of government. Government suspicions of public service motives and expertise, however, and the determination of successive governments to take out some insurance on these high-level projects by hiring a ‘name’, continues to contribute to an ongoing decline in this critical public service capability.

This fiercely contested market has downstream impacts of significance for public policy. The large number of registered players, along with the many others who play the game outside of the Australian Government Register of Lobbyists, suggests that, at the lobbying level, this is a profitable business (and deserving of its own governance regime).⁶

8.5.4 The service delivery market

There are two components to the service delivery market: the management of service delivery, and the delivery of services themselves. The Public Service Act legislates for the public service to have a monopoly control over the former, ensuring delivery of government programs, but it faces extensive competition for the latter. In common with the market for policy formation, there are many players in the market for service delivery who seek to influence policy in the direction of the solutions, goods and services where they (or their clients) can play a part in supply. As with policy formation, the bigger the stakes the bigger the political, commercial and community pressure placed on the government and involved officials. The rewards available to those inside government to produce a particular outcome can be just as irresistible as in the private sector, making the probity of processes critical for such contests.

The service delivery market differs markedly from the policy formation market in terms of the structure and intensity of competition. The service delivery market is highly diverse, reflecting the range of industries – including health, transport, agriculture, law and order, defence, international relations, and foreign trade – and the multiplicity of government activities that may be undertaken within each of these industries. The policy formation market, in contrast, comprises a range of large/international competitors that span the field of public policy – for example, the universities and think tanks often from an ideological perspective, and the major consulting houses from a business perspective – accompanied by a large range of smaller special interest players.

What these markets have in common is the broad range of national and international companies involved in them, with service delivery having the added layer of complexity of equipment and systems purchasing as part of a service delivery program (for example in the fields of transport and defence). Governments have the opportunity to meet local and/or

⁶ This register can be viewed at lobbyists.ag.gov.au/register.

international political objectives in policy and outsourcing decisions, and policy decisions regarding foreign government activity on Australian shores has important implications for supply of goods and services under government contracts.

8.5.5 The market for organisation and administration

An active component of the Efficiency through Contestability Programme is the rationalisation of the various information technology legacy systems in the APS and the creation of shared back-office facilities. This is a challenging task, with a large number of private sector service providers already involved in providing government agencies with a range of corporate services. The APS Shared Services Centre, established in 2014, was reported in 2015 to be providing services to 13 government departments and agencies. A critical Australian National Audit Office (ANAO) report followed in 2016 and, early in 2017, the centre was quietly closed and over 600 public servants were disbursed. Press reports indicated that some \$210 million of taxpayers' funds had been lost. This followed similar failed attempts to establish such centres by state governments in Western Australia and Queensland.

What will be the future of the market for administration is unclear, as good reasons remain to seek efficiency gains from such facilities. A Department of Finance discussion paper (2015) highlighted the challenges and opportunities involved and identified over 200 unique Enterprise Resource Planning (ERP) systems across the APS, with no common data definitions, process and contractual arrangements, and approximately 85 internal service providers across 96 non-corporate agencies with 239 individual relationships with private sector organisations.⁷ Despite the obvious challenges, this was seen as an opportunity for substantial efficiency gains through the reduction in public service numbers involved, in an estimated annual spend of some \$3.5 billion to \$4 billion annually. The program goal was seamless provision of services across tiers of government, without duplication or overlap.

⁷ Enterprise Resource Planning (ERP) systems refers to the collection of systems and software packages used by organisations to manage day-to-day business activities, such as accounting, procurement, human resource management, and project management. ERP systems are designed around a common data structure and usually a common database that enables all users, from CEO to accounts payable clerk, to create, store, use and leverage the same data derived from common processes.

Despite this public sector information technology failure, many private sector service providers remain involved with government departments in Canberra. And, whilst enthusiasm has diminished for large-scale rationalisations, this remains an active market in which the driving competitive force is the capture of efficiencies through rationalisation and consolidation of both software and hardware, whether the services themselves are ultimately delivered by internal or external providers. Particular benefits are expected in terms of efficiency, effectiveness, agility, and scalability from the consolidated provision of back-office services, but it is equally important that APS capability benefits are sought and acquired. This is important both at the strategic, whole-of-public-service level, at which public service operations are ‘managed’, but equally important on the ground where an active understanding of the systems and their capabilities can be married with services to customers, which must remain the primary focus of overall public service activity.

It is important that clear and integrated notions of strategic capabilities underpin customer-driven transformations. An effectively managed back-office rationalisation program would recognise the contribution that strategically managed capability would make to the overall public service–positioning strategy, and would not allow the more obvious head-count driven efficiency gains to overwhelm the case for primacy of focus on the customer in a customer-driven business.

8.5.6 The market for government governance

The fifth public service ‘market’ is that of government governance. Until the 1980s, the role of auditors-general around the globe was primarily restricted to financial auditing. With the arrival of output budgeting, public sector auditors refocused their attention on performance reporting, certainly as it related to the public service. The public service has responsibility for important parts of government governance under the *Public Governance, Performance and Accountability Act 2013* and the Public Service Act. Whilst the word ‘governance’ is not used to describe these responsibilities the Acts are clear that departmental secretaries cannot acquit their specified ministerial and whole-of-government responsibilities without fulfilling their governance duties. Therefore, while the public service bears the major public sector responsibility for government governance (but clearly not for the conduct of parliamentarians and ministers), and the watchdog and integrity bodies have parallel audit responsibilities, these latter – the Auditor-General for Australia and the Commonwealth Ombudsman in

particular – ‘compete’ in this market through the requirement to publicly report on their respective responsibilities. In the absence of similar public service reporting, these bodies shape public opinion of the quality of public service performance.

The Australian public has no way of knowing, for example, whether or not the issues identified in the published reports are typical or isolated instances. If what the general public is exposed to is only the bad news about the activity, then it might be forgiven for assuming that public service performance is perennially poor. In this manner, watchdog and integrity body reports can have a negative impact on public perceptions of ‘the quality of government’ that reaches beyond the reality. And, insofar as perception is reality, then in a real sense, the Auditor-General for Australia is a competitor in this market where the real competition is not for the responsibility to account for government activities, although it is in part, but for the perceived quality of public administration in Australia. In a sense, this is both an accounting and reputational market.

In this ‘market’ for governance with ‘buyers’ and ‘sellers’, the government is a purchaser of the public service’s establishment of a governance framework and the regular delivery of reports on the related activities. The demand for governance is a derived demand (from accountability to parliament and the Australian public) that the government ‘buys’ (pays for) through a multitude of program-level grants and corporate services administrative activities across all departments, just as surely as if there were a single departmental and whole-of-public-service output called ‘government governance’. The ultimate customers for this product are parliament and the Australian public, with the quality of the delivered product an important determinant of the public trust in and legitimacy of government.

It is arguable, then, that a public service on top of its game should neither want nor need an auditor-general conducting costly annual performance audits (costly in audit and public service time). I argue that the delivery of good governance outputs should be regarded as important to the public service as effective competition for policy formation and service delivery. The public service should take full responsibility for its performance reporting and aim to make the auditor-general redundant in this process. It must compete for its reputation.

8.5.7 A markets summary: Public service competitive advantage

In the competition for political and public influence the public service has strong corporate-level advantages, including the legislative foundations for its role, including in policy formation and service delivery; its central role in the delivery of good governance; and its physical proximity to government.

The breadth of the role, when viewed across the spectrum of government activities, can be regarded as a strength or a weakness, depending on how these corporate-level advantages are exploited and on the competitive positioning the public service has achieved in the individual markets. When viewed in terms of the individual markets in which it is involved, the public service faces strong competition in the policy formation market and ongoing competition in service delivery through its competitors and the Efficiency through Contestability Programme. It is only in the field of delivering good governance that it has an unassailable position with limited competition. The downside with the latter is the existing competition's reputational impact on the public service.

The public service has an interest in each of the five identified areas of government activity – the political belief systems (as an interested observer), the policy advisory role (its core business), the delivery of services (as an active participant), organisation and administration (as a strategic participant and observer), and good governance (as a near-monopolist), . It is ultimately the competitive advantages of scope, built around strength in the policy advisory role, on which it should build its strategy. This advantage needs to be exploited at a whole-of-public-service level, but it is only of value to the business of the public service if it can be leveraged on a daily basis at the business unit (department) level. It should exploit the advantages of scope that are based on linkages between the parts of the public sector market system on a pairwise and aggregate basis.

An understanding of the underlying belief system, how it plays out into policy, and how such policies have performed in other jurisdictions enables the public service to anticipate government actions and expectations as well as provide sound advice about tailoring its actions to the local market. This pairwise advantage also enables the public service to be creative and propose policy changes that may not be part of an incoming government's policy platform. Similar advantages flow from the relationships between

policy formation and service delivery, and service delivery and the supporting information technology (and associated administrative) systems, along with the delivery of good governance.

The major advantages of scope go to the heart of the difficulties, both large and growing, in delivering the three stages of coordination necessary to effective government – that is, vertical coordination within government, horizontal coordination across government, and the growing challenge of delivering horizontal coordination across sectoral boundaries whilst maintaining accountability. This is the fundamental challenge outlined by the Auditor-General for Australia in successive reports, and the same strategic challenge identified by Porter in his discussion of interrelationships between business units in a multi-business corporation.

Notwithstanding the existing strong foundation of public service competitive advantage, much of this potential remains unexploited. For the public service to secure maximum return from the advantages of scope, the government must understand and support it in its endeavours to secure this advantage. To be of any benefit, this corporate advantage must be exploited at the operating level; that is, the individual departmental level. The advantage only becomes useful at the level where it can be converted into customer value through cost and/or product differentiation. These corporate advantages are accompanied by business unit (departmental) level advantages derived from the departmental structure's ability to focus on target client groups at the policy and program levels.

A government that fragments the public service structurally and/or operationally significantly blunts the efforts of individual departments. A narrow focus on efficiency serves to reinforce these impacts by breaking up integrated public sector systems into a series of loosely connected activities and markets. The prospective dismantling of strategic capabilities through a function-based department-level outsourcing program is likely to have a similar destructive impact on public service competitiveness because it takes neither a whole-of-department nor whole-of-public-service view of these capabilities.

Table 8.2 Public service markets and competition

Market element	Political belief systems/world views	Policy, program, and services advice	Service delivery	Government governance	Administrative
Structure of the market	A number of major players across the public and private sectors Government is conduit	A two-part market on the supply side, with a number of large players with broad market coverage and a raft of narrowly focused special interest groups	A fragmented 'market' comprising a large number of differently focused supply opportunities with the public service as the monopoly manager and default provider	A small number of government players in addition to the dominant public service, each with its own but overlapping charters	Presently a fragmented market with a large number of individual public service providers integrated with a large number of private sector service providers
Major players/competitors	Think tanks, universities and party machines Public service an observer not a competitor	Public service is endorsed principal official supplier. Major consulting houses as well as special interest groups compete	Public service is the major player, but large local and international companies involved in some market segments, especially where equipment is involved	Public service faces competition from the auditor-general for performance reporting and limited competition from other watchdog and integrity bodies in areas of probity, integrity, maladministration	Public service presently a major player as integrated service provider on an agency-by-agency basis but with large numbers of private sector players across the service spectrum
Key elements of competition	Assessed merit of ideologies and ideas	Experience, often of an international nature Local market knowledge Political risk Insurance = a 'name'	Short-term costs/out-of-pocket expenses for most services. Whole-of-life costs for	Focus on adequacy of performance reporting as well as probity and integrity on an exception basis	Driving force for change is rationalisation of systems and providers to achieve savings and agility

8. THE COMPETITIVE ADVANTAGE OF THE PUBLIC SECTOR

Market element	Political belief systems/world views	Policy, program, and services advice	Service delivery	Government governance	Administrative
Public service competitive advantage	Understanding whole-of-systems implications of changing political ideologies and belief systems	Public service has proximity and Act endorsement. Knowledge of what is and what works based on best available evidence. Understanding whole-of-systems implications	Public service has monopoly on management of service delivery. Depth of local knowledge of what works but has the Efficiency Programme to contend with. Can provide integrated upstream and downstream advice	Has primary responsibility under the Public Service Act and should value and exploit it	Incumbency and maintaining an integrated horizontal and vertical view of systems and from policy formation to customer
Public service competitive positioning strategy	Observer – ready to advise about downstream implications – policy, service delivery, organisation, administrative systems, and outcomes	Active participant ready to advise about downstream implementation implications. Should be the public service's core business and competitive platform. Aim for a monopoly in this field. Develop whole-of-public-service centre and compete on scope	Needs to identify and maintain strategic capabilities at both department and whole-of-public-service levels whilst competing selectively to build supply-chain knowledge base	Needs to do better and make auditor-general irrelevant. Build results-measurement capability. Develop policy governance capability. Integrate with brand management. Work actively to build trust in government and legitimacy	Needs to identify and maintain strategic capabilities at both department and whole-of-public-service levels whilst competing selectively to build knowledge base in systems management and integration

The absence of a strong centre means the almost certain lack of whole-of-public-service strategic leadership and cohesion, which denies opportunities to generate corporate advantages and transmit them to the operating units; for example, through economies of scale and risk sharing activities. This absence similarly compromises advantages of interrelationships generated at the business unit level. This goes beyond the development of a capability to deal with boundary issues such as coordination problems, to a variety of projects that actively create value between business units on a bottom-up basis, rather than simply dealing with issues that emerge at the operational level between business units.

It is likely that the public service competitive position is continuing to degrade overall due to pressure to reduce the size of the public service combined with the government's outsourcing program. The public service's ability to 'compete' and fulfil its responsibilities under the Public Service Act are increasingly compromised by these actions of government and by its own lack of strategic management. A serious effort is required to arrest this decline in public service influence on government in Australia.

Above all, the public service needs to consider the point made by a number of public service heads, and well expressed by Simon Longstaff – that the alignment of the interests of the public service with the government, following the realignment by the government under Bob Hawke in the 1980s, needs reconsidering. The public service needs to work out where these interests align, where they compete, and where it can usefully occupy unoccupied ground.

8.6 Conclusions and summary

The public service must recognise that it is competing for its survival, which depends on it becoming better focused and organised in its activities, allocating resources across its different markets to build competitive advantage in a carefully chosen and balanced portfolio of activities. It cannot continue to retain all of its existing business on a department-by-department basis. It must change its business mix to secure its major competitive advantages, and position itself at the forefront of change in each market so as to capture the role of delivering change. This changed mix must involve:

- strengthening its understanding of the ideological foundations of political parties and policies. This would prepare it for a possible volatile future of coalition and minority governments with compromised policies with an honest-broker role or for reversion to major party rule
- regaining lost ground in the public policy space to reinforce its pre-eminent role in policy formation and implementation and its underpinning role in creating competitive advantage based on scope. The public service should identify the emerging fields of policy advice and accompanying tools and leverage this knowledge to ensure that it maintains its policy competitiveness
- maintaining selective involvement across the service delivery market whilst placing itself at the forefront of the development of tools to manage outsourced service delivery, especially in regard to networks
- maintaining active participation in the management of information technology systems across the whole public service, with its strength lying with an overarching perception of the customer. With organisation, the public service should develop a foundation understanding of the effectiveness of different structures and the functioning of the parts
- lifting its game with respect to government governance to the point of making the auditors-general performance-reporting role irrelevant. It must also take responsibility for its own governance and, if the opportunity arises, take responsibility for policy formation administration/governance.

The prospective foundations of success for the APS in strategy formation and implementation lie with its incumbency and the scope of its activities. Its incumbency – through the Public Service Act and its established position – provides a strong base on which the public service can actively build competitive advantage. It must build on its unassailable opportunity to take an integrated, whole-of-system, and whole-of-government view of the business of government, ranging from the ideological beliefs and world views that incoming governments may bring, through to the derived policy frameworks and programs, and into the management of service delivery (whether delivered in-house or outsourced). In Porter's terms, this position is scope-based, which enables product differentiation.

There is also the possibility of creating cost-based advantages in the area of formal policy advice. Engaging the major international and local consulting houses is always costly. A public service alternative of equivalent quality must be a less expensive option. While this caveat – on quality – is

a challenge for the public service, there is no reason why it should not aim for a monopoly on the higher levels of policy advice. There will always be proprietary models and expert external advice that the government, even public service, will utilise, but there remains undoubted value in going down the path of establishing a public service vehicle for formal policy advice. The public service also needs to review its cost-based advantages in regard to service delivery.

There is much that the public service can do to improve the attractiveness of the industry in which it operates, including actively demonstrating that it performs according to the requirements of the Public Service Act and that, as such, it lives up to community expectations that it provide frank and fearless advice based on the best available evidence. Being part of 'government' increases community trust levels and the standing ('legitimacy') of government with the electorate. The public service should develop and promote its own brand as part of this exercise. The difficulty noted with declining trust levels in government is the rising cost of governing associated with community demands for more direct involvement in the processes of government. The associated problem for the public service is that, as a consequence, there is a diminishing pool of authority to be exercised jointly by the government and public service, leading to further constraints on public service activity. The consequent costs must be rising rapidly, diminishing the proportion of resources going to the citizenry as services.

A further point concerns where competitive advantage is conceived, occurs, and is realised. Porter (1985) makes the point that we can talk of 'competitive advantage' and 'competitive positioning' at the whole-of-organisation level but, to be of value, it must be realisable at the business unit/business line/product, and ultimately, customer level. It must create customer value by providing a better product at the same cost or the same product at a lesser cost. To be of any use, competitive advantage and competitive positioning at the whole-of-public service level must deliver identifiable value to customers through individual departments and programs. The value chain differs from one department to the next, and this is part of the challenge for an expanded public service centre: how can the public service use its competitive advantage of scope to deliver a benefit to individual departments?

The characteristics of public services include the respective merits of public and private bureaucracies. On a department-by-department basis, the foundations on which the role of government is built vary, as will the preferred role for the public service within these boundaries. These foundations, the nature of competition, and the preferred role for the public service also vary between departments and thus they are matters for individual business unit strategy. These differences are also reflected in horizontal relationships between pairs of departments, depending on operational overlaps and the contribution of corporate synergies.

Discussions of whole-of-government activities in the public service commonly focus on the coordination problems that arise from services delivered from individual departments that overlap with other departments. This is essentially a defensive role. Where the role of strategy is one of benefits created at the top of the organisation and cascaded down to the operating units, there is opportunity to create synergies at the business unit level that can be shared amongst the participating business units. Porter discusses this in terms of horizontal strategies and the interrelationships of business units, describing a number of categories in which such benefits might be created.

A beneficial strategy for public service pursuit of its legislative objective of serving the Australian public, however, needs to move beyond the notion of merely performing within the bounds of a business-as-usual approach. Re-establishing a competitive position on well-worn ground, however, has limitations and, whilst it must be done, it should be actively complemented by actions to change some of the rules of competition.⁸ The public service should seek out disruptive strategies through an examination of private sector experience and its adaptation to the public sector.

Box 8.1 concludes this chapter by viewing the proposed changes to the style and operations of the public service from the point of view of the public service and articulates the strategy as the public service itself might view it.

8 Christensen and Raynor argue that, in competitive battles fought around incremental changes in products and services, *the incumbents* are likely to prevail, and only when the basis of competition is changed – through the attraction of new classes of customers, substantially changed products, or perhaps the use of new technologies to add product features – are established players likely to change the industry pecking order, or indeed are new entrants likely to win (Christensen & Raynor (2003) refer to the former as *sustaining strategies* and the latter as *disruptive strategies*).

Box 8.1 A public service role and strategy statement

1. We will adopt a simple mission statement – we create value for our customers – and around this mission will develop and manage a customer-focused, career-driven public service that is apolitical and pursues excellence in serving the government, parliament, and the Australian public.
2. We will develop our core competitive advantage around the scope of activities across the business of government – the underlying political beliefs, the choice and development of policy frameworks, instruments, programs and services, the management and delivery of services, and the measurement of performance. The foundation of this competitive advantage will be our policy knowledge and we will leverage this across our full range of activities.
3. We will build our competitive position in each of our markets around this overall advantage. We will keep a watching brief on political concepts and systems, we will build a pre-eminent position in policy advice, we will secure our (monopoly) role as manager of service delivery and selectively compete to deliver services, we will develop our role in governance and actively compete for influence, and we will strategically manage our role in the development and delivery of supporting administrative systems. We will strategise and manage together and separately on a whole of government, parliament, and Australian public basis.
4. We will underpin our competitive advantage through (a) the development of a globally focused policy capability to complement departmental capabilities, (b) the development of a centrally driven market intelligence system to integrate local and international knowledge of markets and competitors, (c) establishment of an integrated centre and department model of corporate memory, (d) the establishment of a central metrics capability to develop management information and performance reporting systems to complement government governance activities and the governance of the public service.
5. We will actively promote the institution of government by promoting the quality of public administration thereby aiming to raise trust in government by publishing an annual report on public service activities evidencing active service to the government of the day, parliament and the Australian public; by demonstrating the practice of the values, code of conduct and employment principles set out in the Public Service Act; and through stakeholder engagement.
6. We will aim to establish metrics for our overarching goals of influence and impact on good government, and will develop an integrated set of public service performance targets focused on (a) quantity and quality of service to our three legislated customer groups, (b) the development of our core capabilities, (c) the development of our brand, (d) the legitimisation of government, (e) our stakeholder management, and (f) our competitive performance. We aim to integrate the creation and measurement of public value into our day-to-day activities.
7. We will strengthen public service-wide capabilities in corporate strategy, market intelligence, strategic management, performance measurement, innovation (including in organisational innovation and change), with an underlying focus on our capacity to adapt to a continuously changing political, social, and economic environment.
8. We will establish integrated management information architecture and systems to link the (new) corporate-level activities with departmental operations to enable effective whole-of-public-service governance and better government governance.
9. We will win.

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