Leaders in the public sector can take steps now to build effective organisations for the future.
Public Sector Evolution

The reform agendas of governments and increased community expectations are changing the way public sector organisations work in Australia, New Zealand and developed democracies. Hay Group’s Peter Dunn, Michael Holzmann and Melissa Marot examine emerging changes, their implications for public sector leaders, and the public sector of the future.

A new way of working

Change in the public sector is clearly under way. A sense of urgency exists. What was once a key strength of the public sector – deliberative and detailed internal consultative decision making, the aim of the bureaucratic process – is being forced to change by a combination of community pressure and the electoral cycle. The community is now a part of the decision making process and is not prepared to wait for the deliberative process regarding pressing and complex issues, such as climate change actions.

The public sector is no longer a ‘business hours only’ environment. The new norm is a ‘24/7’ environment of immediate answers to government questions and is a ‘24/7’ environment. The public sector is no longer a ‘business hours only’ environment. The new norm is an ‘immediate’ environment. Indeed, it appears that specialisation is here to stay. The traditional public sector view that generalists are more valued than specialists, is now clearly under threat.

Specialists vs generalists

Key leaders recognise that a fundamental shift is taking place. Shane Carmody, Deputy CEO, Strategy and Support, Civil Aviation Safety Authority (CASA) has been watching public sector organisational changes with a critical eye for some time. He notes, “specialists are moving further up in organisations. The reason may be the changes to required response times, but it could also be as a result of younger people rising more rapidly towards the top echelons. The long apprenticeship and development of the generalist is harder to achieve.”

Duncan Lewis, Deputy Secretary, Department of Prime Minister and Cabinet also observes, “specialisation has been around in the public sector for a long time but now it is not uncommon for public servants to reach very senior executive level positions having never moved out of their specialisation. I would prefer to have a well developed generalist in charge and hire in specialists, but the 24/7 environment is playing into the hands of the specialist.”

Talent and leadership

Duncan Lewis’ comment highlights one of the implications of organisations moving towards specialisation. Consideration needs to be given to how the focus on specialisation impacts an organisation’s ability to develop talent for the future. Deciding whether the agency (and the public sector generally) will be best served by generalists or specialists in the future is an important issue for public sector leaders, with implications for leadership development and career pathing. Other implications include the need for clarity of accountability, collaboration across areas of specialisation and a structure that may contain multiple operating models.

Organisational structure and design

The focus on specialisation has had a direct impact on the new operating models and organisational structures that are emerging in the public sector. Increasingly clear functions are evident in agencies and these are reflected in the people needed to fulfil specialist and leadership roles. The shape of public sector agencies is changing with three key ‘specialisation’ streams emerging:
- Regulatory functions and oversight.
- Service delivery.
- Policy development.
These three areas can be viewed as the core elements of almost any public sector organisation although one size does not fit all. Each requires a different operating model and each has implications on organisational structure and design. Within any one agency all of these specialisations may be present or only some.

Sitting across these three core delivery streams are ‘enabling’ processes. Enabling processes support the delivery of the core functions, for example with information management. The emerging specialisation in the public sector is illustrated in figure 1.

**Where the danger lies**

Hay Group’s experience in the public sector has found that many of the big changes already under way are unfolding in a reactive rather than a planned way. It is essential that public sector leaders actively plan their agency’s organisational design and structure and review the implications of this fundamental shift to specialisation (especially on leadership and talent) rather than allowing these specialisations to evolve without consideration for their longer-term implications.

Carmel McGregor, Deputy Secretary, Department of Immigration and Citizenship recently commented, “unless agencies plan thoroughly and systematically to introduce change they will flounder. There is no substitute for a comprehensive approach but it must be developed rapidly.” In reacting quickly to increasingly complex government demands, there is the risk that not all the changes are planned.

Not all public sector organisations are rising to meet the new challenges in the best way. This is where danger lies in the evolution of public sector management.

**Managing the evolution**

For many years Hay Group has worked with organisations to ensure their structure, design and strategies are clearly aligned and relevant to the environments in which they operate. Successful transition to a new way of doing business means planning for change. It requires that a number of conditions be met.

- Ensuring the necessary structural ‘horsepower’ (organisational structure) exists to deliver the agency mandate, today and tomorrow.
- Guaranteeing that organisations have the talent (people capital) to succeed in their changing roles.
- Having credible strategies to meet agency objectives.

It is crucial to ensure the full implications of these changes are recognised now and that future reform of organisational structure is addressed, so that roles are defined and people held accountable. However, before any change is made it is important to understand what is required to construct an effective public sector organisation.

In supporting organisations, Hay Group works through four essential steps to review each of the specialised streams of an agency. This evaluates an organisational context and operating model before designing and implementing organisational change to ensure an organisation’s sustainability. Taking these steps allows leaders to plan for changes brought about by a more demanding operating environment – it is the one thing a leader is able to control in a context where many things are out of their control. Hay Group’s four ‘building blocks’ for building effective organisations enable agencies to respond effectively to a new order.

**Four building blocks for success**

The following building blocks must be considered when attempting to evolve or rebuild any public sector organisation.

1. Developing the strategic context.
2. Defining the operating model.
3. Determining the organisational design.
4. Implementation.

**Figure 1: Emerging specialisation in the public sector**

**Figure 2: Building blocks**
Public Sector Key step in re-design.

The time to understand the strategic context is a dependencies identified upfront. Taking the time to understand the strategic context is a key step in re-design.

2. Operating model

Having achieved clarity about the agency’s strategic context, the operating model must be determined. This is how the core functions of the agency are going to be delivered. Options may include decentralisation, centralisation with e-connectivity to clients or even outsourcing. Real effort must be made to determine whether the existing operating model is satisfactory or if it needs to change. Key points to establish are:

- Guiding principles (which will be influenced by policy).
- Preferred method(s) for managing the agency (centralised, decentralised, scope of outsourcing, etc).
- Work culture(s) required to meet the agency mandate (for example, time based, networked, hierarchical, or process).

3. Organisational design

Once the strategic context and operating model(s) are established, it is possible to develop an organisational design that suits. This is the structure of the agency. Too often, re-design begins here and not with the two preceding building blocks. Only after the strategic context and the organisational design have been settled is it possible to put a structure down on paper. Again, certain conditions must be met during this stage of developing a new organisation. These include:

- Clarity and articulation of purpose for key elements and functions.
- Accountabilities and delegations allocated.
- Roles envisaged for leaders at different levels must be achievable.
- Structure tested to ensure it is ‘fit for purpose’. Mission critical systems and processes are established.
- Existing leadership and people capital checked to ensure capability to succeed today and in the future. Leaders must be included in any plans to educate staff about the new ways of doing business (and not left to work out their new roles by ‘osmosis’). The new organisational design should provide leaders with:
  - effective collaborative forums;
  - a workplace climate that drives performance; and
  - effective leadership, talent reward and growth.

4. Implementing change

Once the previous building blocks have been examined and found to be satisfactory, it is possible to proceed to the implementation phase. In this stage the agency will be re-formed into its new structure, allowing it to operate more effectively.

Below are key questions to be answered before implementation gets under way:

- How is accountability for implementing the change to be managed?
- What is the role of the senior leaders of the agency during the change?
- Do the senior leaders of the agency understand how the new work will be undertaken or do they need to be ‘schooled’ before they can lead the change?

Ongoing communication and engagement is vital, and is required across all four building blocks of strategic context, operating model, organisational design and implementation. It is essential to:

- Build commitment to a shared understanding of the new way, and create the momentum for change.
- Develop an effective communication and management strategy.
- Establish and then proceed to embed the culture required to realise the strategy.

Agencies need to take a structured approach when applying the building blocks to ensure the ongoing effectiveness of their organisation during the change. This will ensure that the required change to outcomes is delivered by the new arrangements.

**An effective public sector future**

In order to shape the public sector of the future it will be necessary to better understand the move to specialisation. As we see the public sector evolving, it may be that the days of the generalist are numbered. In any case, there will be definite implications for individuals who have become generalists in their public sector careers. These knowledgeable people may find it increasingly difficult to find rewarding do-able jobs in agencies that are driven to increasing specialisation.

A question for leaders is whether there should be movement between the specialist streams and the value of this. Attempts have already been made to ensure there is movement between at least two streams in terms of career path. At the most senior levels of leadership in the public sector this movement is still desirable – which perhaps relates to the fact that effective policy advice is best formulated from a base of a broad understanding of all areas of public administration and management.

Duncan Lewis, Deputy Secretary, Department of Prime Minister and Cabinet would seem to agree, “I am always looking for a leader – who is it in my team that will make it to the top? In that quest it is the generalist that always has the comparative advantage.”

As the public sector continues to evolve and meet the increasingly complex and demanding needs of stakeholders, the design and structure of agencies will likewise need to evolve to meet these needs. For the public sector, the challenge to remain effective lies in being able to adapt quickly and keep pace with the rate of change. The important point to make is that public sector leaders need to proactively manage any changes in a planned way to ensure the sustainability and long-term ability of their agencies to deliver services into the future.

The authors would like to acknowledge Shane Carmody, Duncan Lewis and Carmel McGregor for their contribution.