



Public  
Service  
Commission

# Doing Things Differently

**Raising Productivity, Improving Service and  
Enhancing Collaboration across the NSW Public Sector**

**PSC Advisory Board Report**

**2014**

## **Publication and contact details**

*Doing Things Differently: Raising Productivity, Improving Service and Enhancing Collaboration across the NSW Public Sector*

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## Foreword by the Premier

I take great pleasure in introducing the research findings of the Public Service Commission Advisory Board on three key public sector management priorities: collaboration, productivity and customer satisfaction. This work highlights a number of key issues that the NSW Government believes are essential to improve service delivery for the people of NSW.

NSW generates 31% of Australia's gross domestic product, with an economy larger than that of Hong Kong, Malaysia, and Singapore. The way that the public sector in this state approaches the issue of productivity not only affects the quality and amount of public services delivered but also directly affects the productivity of the entire national economy.

The government objective in NSW is twofold: firstly to improve productivity in the public sector in search of better services for the community; and secondly to give business the best prospects of growth and job creation which will in turn deliver the revenues necessary to continue to provide essential public services. Through the research outlined in this paper, the Board has taken the first step to better understanding and measuring the performance and productivity of the public sector.

The research provides some clear guidance to the public, private and not-for-profit sectors about approaching collaboration in an informed and systematic way. I encourage leaders in all sectors to look for innovative opportunities in service delivery and to adopt collaborative partnerships where it is shown that this will bring the best result. It is essential that all government sector employees consider the research findings and ask themselves "how can this be used to improve the services we provide?" The next step is then to take positive action on those ideas.

I recognise that there are costs and risks involved in complex forms of collaboration. This government is committed to providing a culture which is accepting of well-managed risk by senior government sector leaders in search of successful collaborative relationships which add value to service delivery.

With the introduction of the new *Government Sector Employment Act 2013*, the NSW Government, in partnership with the Public Service Commissioner, is providing the conditions which will allow for effective leadership and a culture that supports innovation. However, these important reforms will only be effective if Secretaries and agency heads, other leaders and individual employees have the courage to think creatively about complex issues.

When government sector employees are testing innovative approaches there will inevitably be difficulties, and from time to time the best efforts might fail. Those who make decisions and take actions with the right intention to achieve the right goal can expect my support and that of Government Ministers. Mistakes can happen, that's why we trial things. But unless we have the courage to innovate and to think about how we can do things differently, we won't deliver services that continue to adapt to a changing society.

Increased collaboration and improved productivity are not goals in and of themselves. They provide a path to improved services and improved standards of living for the community. In our quest for improved services we must ask customers and citizens what they want and how they think we are going. The work of the Board on developing a customer satisfaction measurement tool is central to understanding our customers and our performance in a whole-of-sector way. I look forward to seeing the results when the tool is implemented.

If you look at the principles (legislated in the *Government Sector Employment Act 2013*) which underpin the public sector values of integrity, trust, service and accountability you will see the expectations of government sector employees clearly set out. Of particular relevance to the Board's research findings, the principles require public servants to:

- Take responsibility for situations, showing leadership and courage
- Communicate intentions clearly and invite teamwork and collaboration
- Engage with the not-for-profit and business sectors to develop and implement service solutions
- Be fiscally responsible and focus on efficient, effective and prudent use of resources
- Focus on quality while maximising service delivery
- Be flexible, innovative and reliable in service delivery
- Provide services fairly with a focus on customer needs.

This government wants public sector employees to make decisions and act to improve productivity and increase collaboration whilst continuing to focus on providing quality services.



A handwritten signature in blue ink that reads "Barry O'Farrell". The signature is written in a cursive, flowing style.

**Barry O'Farrell**  
NSW Premier

## Doing things differently: the NSW public sector of the future

Central to the goals set out in the NSW Government's 10-year plan, *NSW 2021*, is the intention to improve the performance of the state's economy. The overall objective is to make NSW not just the best performing state in Australia, but a leading economic and financial capital in the Asia-Pacific region. An efficient, effective and ethical public sector is critical to this bold ambition.

The fact is that the State Government remains the largest employer in NSW. There are around 400,000 workers comprising 11% of the state's workforce. The size and scope of the public sector as a program funder, service deliverer and market regulator means that strategies focused on improving state performance must depend in large measure on the public sector's productivity. Maintaining the *status quo* is not an option. The public sector must do things differently.

Commitment and dedication are not the issue. NSW public sector employees work hard to deliver high-quality service in an environment characterised by structural and operational change and fiscal restraint. Those who work for successive governments conscientiously are strongly imbued with a sense of public purpose. Many are proud of what they do. At all levels, across the extraordinary diversity of the occupations within the state's public sector, a sense of vocation continues to exist. That is a strong foundation on which to build.

Being a public servant has always been challenging. My sense, however, is that public service is becoming harder. The complexities of public policy are becoming progressively more 'wicked'; citizen expectations are rising faster than the capacity of governments and public services to deliver; conversely, there is growing resistance to the incursion of government into people's private behaviours; and, partly as a consequence, the traditional challenge of assessing competing interests has intensified. Much public service work is now outsourced to others to deliver. A 'public economy' is emerging that requires public servants to facilitate the engagement of both the not-for-profit community and private sector businesses in the delivery of governance. Public servants no longer go it alone.

A new future for public service needs to be built on aspiration. Change is already evident. Indeed, almost everything that I envisage for tomorrow is with us now. Innovation within the public sector is already leading to exciting outcomes. What sometimes seems to be missing is the vision or courage to turn disparate elements of change into systemic transformation.

A burden of red-tape micro-management is too often imposed on front-line staff and contracted service providers in order to avoid any risk. This stifles the creativity that might come from diversity, program flexibility and customer choice. Public innovation is weakened. Too many good ideas remain at the margin of public administration. Opportunities are only half seized; new modes of service delivery begin and end their working lives as 'demonstration projects' or 'pilots'; and creative solutions are progressively undermined by a

plethora of bureaucratic guidelines. Hierarchical controls, intended to ensure quality standards, can often end up deterring local initiative.

A different type of public service is required. I do not think it can just be an improved version of what already exists for, as Premier Barry O'Farrell said at the 2013 Premier's Awards for Public Service, "the same old, same old is never going to be enough". The Public Service Commission Advisory Board agrees. That is why it is promoting a program of bold reform set within the traditional values of public service. It will not be without risk.

Fortunately the pursuit of innovation has the explicit authority and active engagement of the Premier. As he told his public service audience at the Awards, "if you are being innovative, and from time to time there are failures, don't expect the Premier... to give you a hard time... if your goal was the correct goal. Because stuff ups do occur, mistakes do happen – that's why we trial things, that's why we undertake pilots. But unless ... we have the courage to innovate, unless we have the courage to think about how to do things differently, we won't deliver the excellence that I'm determined to – through you – across this state."

Improved public sector productivity is essential to delivering better services to NSW's growing and ageing population at a time of budget constraints. This can be achieved by enhancing the capacity and capability of public service organisations and ensuring more rigorous management of employee performance against results. The limited resources of public administration need to be allocated and deployed to maximum effect. Working smarter, or doing more with less, is a worthy goal. It cannot be pursued half-heartedly.

Of course, new approaches – such as joined-up government, citizen-centred engagement and improved customer service – need to be continued with vigour. My concern is that these worthwhile initiatives have often been conceived too narrowly. They are necessary but not sufficient. The changes that they deliver have on occasion proved less consequential than the rhetoric would suggest. Most importantly, the whole of these reforms has been significantly less than the sum of the individual parts.

New forms of partnership will provide public benefit in unexpected ways and, in the process, revitalise the participatory engagement of citizens. To achieve these goals, the operation of public services (collectively) and the role of public servants (individually) must be transformed. So, which elements of change can together make over the world of NSW public administration?

The first step to improving public sector productivity is to measure it more carefully. We need to conduct a more detailed assessment of the current level of performance and then track it over time in order to determine the success of new initiatives in improving the efficiency, effectiveness and quality of service delivery. Unfortunately, the current ability to gauge public sector productivity is constrained by a lack of consistent and reliable data across the public sector. The effectiveness of evaluation is weakened. Metrics matter.

We don't even know quite how to measure the size of the NSW public service. Today the size of the public economy is much larger than the number of public sector employees. Much public service delivery has been outsourced to both the private and not-for-profit sectors. This has created a mixed public sector economy. Governments are still the purchasers of services but the public service is less and less the provider. Greater emphasis on contestability has the potential to produce improvements both in productivity and service quality.

Public servants in effect now commission the delivery of outcomes in accord with the government's goals. Sometimes, on the basis of benchmarking, public sector employees should continue to deliver services directly. In many areas of human services, however, community-based providers are best placed to deliver services more effectively. NSW businesses can also help build (and fund) public infrastructure. The expertise of the corporate sector must continue to be engaged.

In short, organisations from other sectors can add public value in a manner which is complementary to government-provided services. Public service institutions no longer exert a monopoly power over the delivery of public service programs. Nor should they wish to. The challenge is to avoid setting up shadow bureaucracies. We don't want to outsource only to have new providers delivering standardised services in a standardised way. The service providers' direct knowledge of client needs can allow them to be more nimble and dynamic than government organisations. Their social entrepreneurship needs to be encouraged, not encumbered by rigid contractual requirements.

On the demand side, governments are slowly, and perhaps too reluctantly, letting users have control of the programs they require and the providers they prefer. There is growing recognition that citizens, as 'customers', can be offered informed choice in accessing publicly funded institutions such as childcare centres, schools, vocational education providers, universities, hospitals and general practitioners.

More boldly, it's becoming more widely accepted that those who need access to social housing, disability support or aged care can also be offered more choice. 'Consumer-directed care' is becoming more widespread. People with a disability or mental illness, or those who are becoming older, are now being given greater opportunity to manage their own publicly-funded budgets and to make decisions on their own behalf. They spend scarce dollars wisely and are empowered as they do so.

I need to be clear. I am not extolling the virtues of a 'privatised' public service. Rather I am encouraging more intensive cross-sectoral collaboration – such as partnerships, joint ventures or integration contracts – to create and deliver public programs. Collaborative ventures can enhance diversity in service delivery, allow programs to be tailored to community needs and provide greater choice to citizens.

I also commend increased competition in the development of public policy. Policy advice should be open to a contest of different viewpoints. Monopolies are rarely a good thing and they are particularly pernicious when it comes to creativity. Advocacy and lobbying already add power to public discourse. There is added value in public servants considering seriously

the propositions put forward by businesses and social enterprises, university researchers, think-tanks, consultancy companies and political staffers. Ideas, like services, should be contestable. But being open to the ideas of other experts is not enough. Where possible, new approaches should be co-designed by those inside and outside the public service. It should be a joint activity.

In many areas of the NSW public sector such new approaches are already being trialled, developed and evaluated. In other areas progress is slow. Unfortunately, the dead-weight burden of conventional practice sits heavily on the shoulders of innovative intent. The potential for change will require a new type of public servant – no longer just the policy adviser, the legislative drafter, the market regulator, the service provider or the program contractor, but the highly skilled facilitator. The role of public servants will be to operate at the collaborative centre of a new public economy, actively encouraging flexibility, diversity, choice and innovation. They will engage across jurisdictions and work with other sectors.

Public servants will need to build and sustain partnerships that allow them to encourage, coordinate and evaluate a flow of imaginative ideas on how best to design and deliver the mandate of elected government. They will take pride in operating at the centre of reinvigorated democratic processes. They will understand that their leadership will be assessed by their capacity to generate partnership and followship: listening, discussing, planning, negotiating.... and innovating. I find this an exciting prospect. Many NSW public servants feel the same way.

These are my sentiments expressed in my own way. I know, however, that the ideas that inspire them are the source of enthusiastic but robust discussion on the Advisory Board that I chair. They are concepts that are actively engaged with by Chris Eccles, the Secretary of Premier and Cabinet and Graeme Head, the Public Service Commissioner, both of whom participate on the Advisory Board. All of us see these issues as crucial to the continued enlivenment of the NSW public sector. They underpin the three key topics that lie at the heart of doing things differently. The measurement of productivity, enhanced customer service and better cross-sector collaboration: these, to all of us, are paths to the future.



**Professor Peter Shergold**  
Chair, Public Service Commission Advisory Board

# Innovation Through Research



## About the Public Service Commission Advisory Board

The objective of the Public Service Commission (PSC) Advisory Board is to provide the Public Service Commissioner and the Premier with strategic, independent and expert advice concerning the management and performance of the NSW public sector workforce. The PSC Advisory Board has seven members appointed by the Premier. These members are listed below.

**Professor Peter Shergold AC** (Chairperson) is Chancellor of the University of Western Sydney. For two decades Professor Shergold was a senior public servant in the Australian Public Service, serving from 2003 to 2008 as Secretary of the Department of the Prime Minister and Cabinet. Professor Shergold is also a Chairperson or Director on a number of Boards.

**Paul McClintock AO** is Chairman of Myer Holdings Limited, NSW Ports, Thales Australia and I-MED Network. Mr McClintock is also a Director of St Vincent's Health Australia Limited. From 2000 to 2003 he served as Secretary to Cabinet and Head of the Cabinet Policy Unit in the Australian Government.

**Martin Laverty** is the Chief Executive of Catholic Health Australia. He is the Board Chair of the NSW Heart Foundation, a member of the National Heart Foundation Board and a member of the DisabilityCare Australia Board overseeing the establishment of the National Disability Insurance Scheme. Mr Laverty is also the Inaugural Chairperson of the Social Determinants of Health Alliance.

**Maree O'Halloran AM** is the Director (CEO) of the Welfare Rights Centre where she also practises as a solicitor. Ms

O'Halloran is a former President of the NSW Teachers Federation, and currently serves on the Boards of Teachers Mutual Bank and HESTA Industry Superannuation Fund.

**Katie Page** is the Chief Executive Officer and a Director of Harvey Norman Holdings Limited, an Australian public company listed on the Australian Stock Exchange. Ms Page is also a Chairperson, Director or Trustee on a number of Boards.

**Chris Eccles** is the Secretary, NSW Department of Premier and Cabinet. Mr Eccles joined the NSW DPC from the Department of Premier and Cabinet in South Australia where he was Chief Executive from 2009 to 2011. In 2007, Mr Eccles was appointed Deputy Secretary for the Department of Premier and Cabinet in Victoria. Prior to this, Mr Eccles has worked in a variety of government and private sector senior management positions.

**Graeme Head** is the inaugural Public Service Commissioner in NSW. Following a distinguished career in senior roles with the Australian and NSW public service, Mr Head was appointed the inaugural Public Service Commissioner in NSW in November 2011. Mr Head most recently served as Deputy Secretary with the Department of Health and Ageing and as Chief Executive of the Health Reform Transition Office in 2010–11.

## Strategic priorities

The work of the PSC Advisory Board is focused on the reform agenda for the NSW public sector. Since 2012, the Public Service Commission has been working under the direction of the Public Service Commissioner with NSW department Secretaries and heads of agencies, their senior human resource directors and others to develop and implement strategies and systems for an improved public

service that is customer-focused and fosters a high-performance culture. Progress is reported in the annual *State of the NSW Public Sector Report* available online at [www.psc.nsw.gov.au](http://www.psc.nsw.gov.au).

In December 2012, the PSC Advisory Board added three priorities to its strategic agenda:

- identifying the measures and drivers of public sector productivity
- examining how the public sector collaborates with the not-for-profit and private sectors in the reform and delivery of services
- determining how best to measure customer satisfaction with government services and feed that information into improvement initiatives.

In 2013, initiatives working toward these priorities were overseen by a reference group of senior public servants and experts from other sectors and chaired by a member of the PSC Advisory Board (respectively, Paul McClintock, Martin Laverty and Katie Page). Consultants were engaged to undertake research, analysis and stakeholder consultation, and prepare reports (respectively, Deloitte Access Economics, the Nous Group and Australia Online Research). This overall approach has resulted in a high level of interest in the work, both within and outside government.

The *Getting into shape – State of the NSW Public Sector Report 2013* introduced preliminary research findings. This research is now completed and the PSC Advisory Board and Premier have considered the results.

## About this research

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This publication details research commissioned by the PSC Advisory Board that will enable NSW public sector agencies to improve productivity, and the measurement of customer satisfaction and take a more collaborative approach to the way they provide their services. The publication will be circulated to NSW departmental Secretaries and heads of agencies for consideration, as well as to key stakeholders from the public, private and not-for-profit sectors in NSW and other states and territories. A copy will be published online at [www.psc.nsw.gov.au](http://www.psc.nsw.gov.au).

The following is a summary of the main research projects detailed in this publication, as well as some of the actions the PSC Advisory Board and/or Public Service Commissioner have planned in light of the research findings. Further details are in the following sections. Some common themes arise across the three research projects: the focus on customer, performance and leadership; the critical role of sound data and evidence as a basis for decision-making and service delivery reform; the importance for all sectors of measuring customer satisfaction and productivity and testing innovative approaches to collaboration; and the need to change the risk-averse culture of the public sector to facilitate innovation.

## Productivity

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One of the main aims of the research was to understand and improve the measurement of productivity in the NSW public sector. The research identified four main drivers of public sector productivity: increased contestability between service providers, adoption of new technologies, improved workforce flexibility and the introduction of benchmarking. The research also focused on providing incentives to motivate public sector employees.

New employment arrangements currently being implemented by the PSC will provide for employees to be employed in classifications or bands and assigned to a role rather than appointed to a particular position, increasing flexibility and enabling agencies to respond quickly to changing government priorities and needs. The research also highlights that implementation of the NSW Government ICT Strategy 2012 will be one key to lifting public sector productivity.

## Customer satisfaction

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This research sought to establish systems for measuring and reporting customer satisfaction throughout the NSW public sector. An online survey of key staff members from public sector agencies collected information about how each agency measures and reports customer feedback. A new customer satisfaction measurement tool was developed and tested with a cross-section of public sector customers and employees.

Service NSW has been an active participant in this task. It has agreed to take forward the research and, to this end, will undertake a large-scale survey of customers who use the state's public services in 2014.

## Collaboration

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Collaborative processes within and across the public sector and between public, private and not-for-profit sectors can substantially improve the quality of public administration. The research identified the costs and benefits involved in collaboration, and emphasised the need for strong leadership by the Premier, Ministers, Secretaries and senior public servants to ensure the success of cross-sectoral partnerships. Greater appetite for risk needs to be authorised: whilst there are risks to innovative collaborations, they can significantly enhance the delivery of public services to the citizens of NSW. The introduction in NSW of Social Benefit Bonds shows that public sector employees, with strong government support, are able to embrace bold new approaches to the funding and delivery of programs.

The PSC Advisory Board and the Public Service Commissioner will work with Ministers and public sector agency heads to identify potential high-impact projects for collaboration. The Commissioner will discuss with department Secretaries strategic action for strengthening cross-sector collaborations and work with the PSC Advisory Board to raise the profile of this partnership approach across the public, private and not-for-profit sectors.



# Section: 1

## Productivity

### The importance of improving output

Improved productivity is the most important long-term source of rising living standards in a modern economy. Productivity has been an important consideration in the private sector for decades, but the public sector has not extensively focused on it as a way to improve its service delivery.

Given that the public sector made up approximately 12% of the NSW economy in 2012–13, the PSC Advisory Board decided that the public deserves greater efforts to understand what drives productivity in the sector and to improve how it is measured. The focus was on the NSW public sector but the research is applicable to public sectors more broadly.

The PSC Advisory Board seeks high productivity because of what it means to the delivery of government services and the outcome for NSW residents. A more productive NSW public service could lead to the more efficient delivery of government services, creating better value for the public.

The productivity of the public service has important implications for the broader NSW economy. The private sector relies on the public sector for services and for clear, consistent and appropriate regulations. How well these activities are delivered by the public service directly affects how well the private sector is able to perform.

#### Key research findings:

There are four priority areas in which reforms by agency heads could lead to significant productivity gains: increasing the contestability of service provision; adopting new technologies; improving workforce flexibility; and conducting benchmarking activities

Incentives should be designed to reflect the motivations of the public sector agencies and employees as distinct from their private sector counterparts

By measuring productivity in the public sector, tracking it over time and improving it, the NSW Government may contribute to living standards

Developing a sector wide understanding of available data will be a basis for building on existing data collection in a consistent way.

### What drives public sector productivity?

The research identified many public sector productivity drivers, ranging from high-level examples such as increasing contestability to factor-specific changes such as equipping staff with mobile technology. These drivers vary across different sectors such as health and education.

Despite the variety of drivers, there are some common themes, such as providing incentives, increasing capability and increasing flexibility. The research also considered the areas where the drivers interact, which are central to driving productivity in the public sector. In doing so, we considered the specific characteristics of public sector organisations.

Four priority areas are identified for the public sector where reform could lead to significant productivity gains:

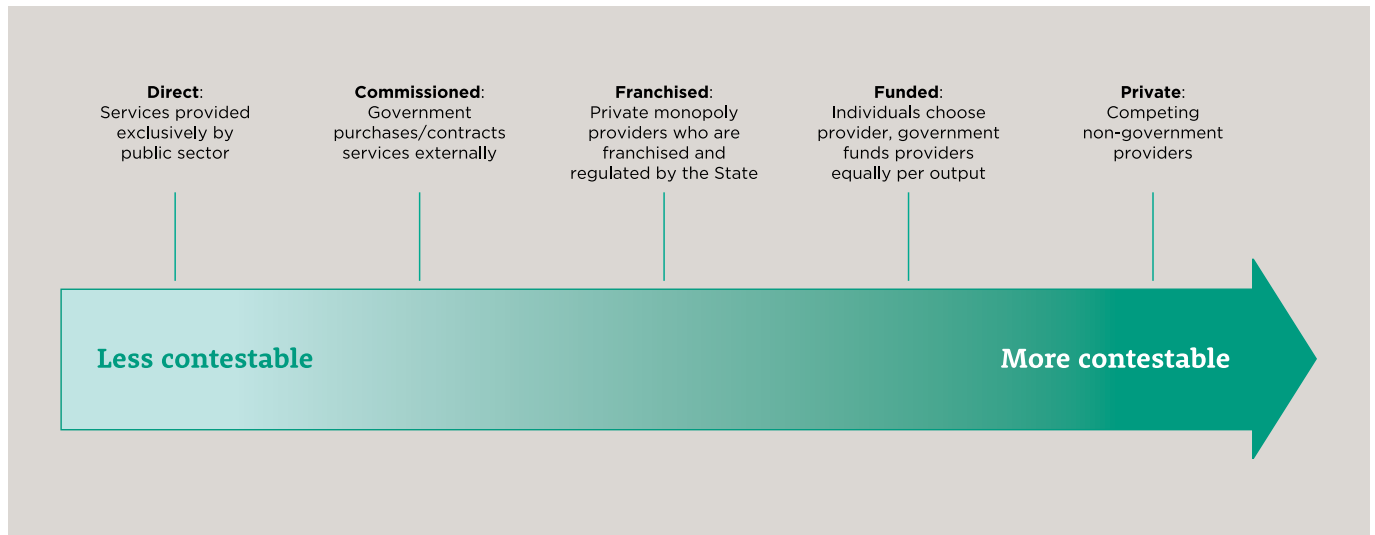
- increasing contestability
- leveraging new technologies
- improving labour flexibility
- employing measurement and benchmarking.

Many other drivers of public sector productivity were identified, including workforce education, skills and experience, collaboration, innovation, infrastructure, procurement, capital strategy, recruitment and capability development.

These drivers have varying levels of applicability within the public sector, which is not a homogenous entity. The public sector undertakes a large variety of activities, and the effectiveness of various productivity drivers depends on the activity at hand. Ultimately, department Secretaries and agency heads should consider what works in the context of their organisation.

Seeking productivity gains can involve engaging in new initiatives, activities and systems that should be subject to cost-benefit analyses.

**Figure 1 Scale of contestability**



## Increasing contestability

Introducing the possibility of more competition – or increasing contestability – drives productivity. Contestability in the public sector should not be considered as binary. There is a scale ranging from the provision of goods and services by fully private or non-government organisations to competitive tendering and competition between agencies, as illustrated in Figure 1.

Contestability can be achieved by progressing along this scale over time, from exclusive government provision of services towards full competition among non-government providers.

Productivity experts commonly cite increasing contestability as one method of encouraging public sector organisations to become more productive. Contestability mimics market forces – the organisation has to be productive in order to attract patronage and continue operating. A team that faces dissolution due to contestability may become more productive and find efficiencies that drive better performance. This threat could occur when the team faces competition, or its work is contestable – that is, the work could feasibly be performed by a different organisation, either external to the public service or in another part of the sector.

Levels of contestability vary within the public sector. Some areas of service provision are already fairly contestable. For example, public schools and hospitals have to compete with private providers in some areas.

Full contestability is not always possible in the public sector – some tasks could not reasonably be done elsewhere. In instances where full contestability is not possible, less contestable alternatives should be considered to achieve increased competition.

Through its 10-year plan, *NSW 2021*, the NSW Government is committed to returning quality services to the people of NSW. One way of achieving this is to review current service delivery models against alternative models that

may provide greater service quality. For example, Roads and Maritime Services recently announced increased contestability of road maintenance in the Sydney region to reduce the cost of managing and maintaining assets, and to deliver improved services for all road users. Similar opportunities are likely to exist throughout the public sector. The Department of Premier and Cabinet is currently leading work on behalf of the Government to examine the role that increased contestability may play across the NSW public sector.

The first step in introducing more contestability in the public sector is to establish a set of performance measures against which agencies and individuals can assess themselves. This would introduce comparability (and the possibility of competition) between teams and agencies. Benchmarking the performance of agencies and comparing them to each other could encourage agencies to understand best practice and to innovate.

## New technologies

Information and communications technology (ICT) is an increasingly important capital element and driver of capabilities and thus productivity. Indeed, it is estimated that since 1985 large ICT capital investments have contributed 17.5% of Australia's productivity growth (OECD, 2008). While this may create incentives to invest heavily in ICT, all decisions should pass a cost / benefit test. This will avoid over-investment where costs increase without corresponding increases in productivity.

New technologies have the potential to make not just incremental but transformative, system-wide changes in the public service. They offer a wealth of opportunities and yet use of these technologies in the public sector is low and varied. The *NSW Government ICT Strategy*, released in May 2012 and updated in September 2013, recognises the potential for digital technologies to derive better value for the Government's ICT investment and significantly improve service delivery to citizens. A key focus of the strategy is to consolidate and standardise government ICT – for example,

through increased use of cloud technologies – and to redirect investment to front-line service delivery.

The strategy outlines priority initiatives including the creation of Service NSW; more transparent and accountable government; the release of more high-value government datasets; an emphasis on as-a-service or cloud-based ICT sourcing; managing government information for better and more ‘joined-up’ services; and ICT skills and innovation.

Each of these initiatives is designed to improve service delivery in five key areas: providing services anywhere, anytime; collaborating with the community and industry; providing services focused on citizen expectations; improving information sharing across government; and better financial and performance management.

The ICT strategy recognises that its successful implementation will rely on having the right mix of ICT skills and capabilities across the public sector, and the PSC has worked closely with the Department of Finance and Services to identify future requirements. A key outcome of this work is that the PSC has enhanced the public sector capability framework with a specific ICT skills framework commonly used in both the private and government sectors: Skills for the Information Age.

## Labour flexibility

The PSC Advisory Board is conscious that labour is the most important of the public sector’s factors of production. At the end of the 2012–13 financial year, the NSW public sector employed 399,243 people, which is approximately 11% of the NSW workforce or the equivalent of 329,336 full-time employees. This makes the NSW public sector the single largest workforce in Australia. Employee-related expenses were the single largest expense in the NSW State Budget, accounting for 48% of the state’s expenses in 2012–13.

Internal labour flexibility (that is, varying the hours of existing employees) and external labour flexibility (that is, varying the number of employees) allows the public sector to react more quickly to changes in demand. Role flexibility similarly allows staff to be shifted to the areas of most demand.

The *State of the NSW Public Sector Report 2012* identified several barriers to workforce mobility, including employees being linked to a specific position in an organisational structure. As a result, the new *Government Sector Employment Act 2013* has introduced a number of structural and other changes intended to remove barriers to workforce mobility. This includes a single, leaner and flatter executive structure with a common set of employment arrangements, and people being employed in a classification or band and assigned to a role that may change over time, rather than being appointed to a particular position. The research reinforces the Public Service Commissioner’s approach to this key reform to increase workforce flexibility in the NSW public sector.

Greater mobility under the new employment arrangements will help to:

- expand the breadth of employees’ capabilities
- increase employee development opportunities
- enable agencies to respond quickly to changing government priorities or community needs.

The effective allocation of staff to particular tasks can increase overall productivity by allowing managers to react quickly to changes in their environment. However, the larger an organisation, the more complex it can be to achieve flexibility and reap its benefits.

## Providing incentives

Productivity can be improved by using the right incentives to motivate individuals and teams. Incentives can be either financial or non-financial, such as meaningful organisational outcomes and job satisfaction.

Incentives may be aimed at – and come from – different levels. The most obvious example is individual incentives, where people are rewarded for engaging in given activities and actions that make them more productive. It is also important to target incentives at the team and organisational level. For instance, a team or agency may be able to retain budget savings for investment in other activities if they are able to achieve cost reductions through desired actions such as increasing contestability.

The public sector is fundamentally different from the private sector. The most important incentive for a public sector employee is how they identify with the organisation they work for, and their role within it. At the organisational and team level, a sense of contributing towards the public good can be the key incentive. In this sense the public sector is more closely aligned with the not-for-profit sector than the corporate sector.

Understanding that the public sector is more likely to respond productively to non-financial incentives is an important first step. The next step is to improve incentives. For example, improving the reputation of an agency within the community would be a strong motivator for its current employees and could attract high-performing job candidates.

Another strategy could be to align incentives with client needs. For example, an agency could measure client satisfaction and then provide rewards to individual staff members or teams whose clients are most satisfied.

Effective performance management will encourage underperformers to improve their productivity. At the other end of the scale, high achievers can be motivated to strive for promotion by consistently applying the merit principle.

The effectiveness of incentives will vary between public sector agencies and even between individual employees. Using more than one method for providing incentives will help to avoid unintended and adverse consequences.

Regular review of incentives must be conducted to ensure that they are continuing to motivate desired behaviour.

### Premier’s Awards for Public Service

The Premier’s Awards for Public Service are an example of a non-financial incentive. They recognise excellence in delivering public services to the NSW community and may be awarded to not-for-profit organisations and private businesses. The awards are designed to encourage continual improvement and reflection on performance levels, recognise success and promote better practices. In 2013, promoting productivity was a specific focus.

Productivity statistics produced by the Australian Bureau of Statistics (ABS) focus on market-sector productivity estimates that exclude the public sector.

A vast amount of data is currently collected in all areas of government. Publicly available data includes what is published in annual reports and budget papers, and through other NSW documents such as *NSW 2021*. Departments collect data and benchmark internally, and government agencies also collect and report as part of national reporting requirements.

While all departments have annual reports and have contributed to budget processes, not all contribute to Council of Australian Governments (COAG) processes and only some have a role in the *Report on Government Services* (ROGS). The data needed to understand productivity in the NSW public service differs from that needed for budgetary or annual reporting.

## Current performance metrics

The *NSW Commission of Audit Interim Report* noted that the public sector needed to improve how it measures its performance. The report recommended developing an integrated reporting framework in consultation with government departments, specifying minimum data sets that directly link department and central data systems.

## Why measure productivity

One strategic benefit of further developing productivity measures would be the ability to benchmark externally with other comparable services. This already occurs in some instances, however, measures of public sector productivity would provide greater opportunity for this type of benchmarking.

**Table 1: Data processes**

Cluster	Budget papers	NSW 2021	COAG	ROGS
Attorney General and Justice	✓	✓	✓	✓
Education and Communities	✓	✓	✓	✓
Family and Community Service	✓	✓	✓	✓
Finance and Services	✓	✓		
Health	✓	✓	✓	✓
Premier and Cabinet	✓	✓		
Trade, Investment, Regional Infrastructure and Services	✓	✓	✓	
Transport	✓	✓	✓	
Treasury	✓	✓	✓	

Measuring public sector productivity may help governments and the public evaluate whether objectives are being met. It can also encourage better productivity, performance, transparency and accountability.

Measures of productivity are not only useful for governments; they also tell public service staff about the effectiveness of certain activities, and allow public service agencies to evaluate work across projects. Productivity-style metrics may also be of operational use to specific departments and agencies. Emphasising the importance of productivity and having greater transparency around how it is measured could help concentrate minds and change ‘cost plus’ cultures. It could encourage public servants to move beyond the ‘inputs = outputs’ framework where they think that what can be achieved is limited by budget rather than ingenuity.

The first step in driving productivity in the public sector is to provide agencies and individuals with a stronger evidence base for decision making. Having clearly defined objectives can remove barriers to greater contestability and flexibility. Effective benchmarking of productivity based on clearly defined outcomes would create contestability and a more flexible workforce.

Measuring public sector productivity can have several benefits but it should be noted that this comes at a cost. For instance, improving measures of productivity might require departments to collect more data or implement new monitoring schemes. The advantages of any productivity measure will be subject to a trade-off between the quality of the measure and the difficulty and cost of implementing it.

## Measuring productivity

Measuring productivity in the public sector is difficult, principally because it is hard to put a value on output. Unlike private sector goods and services, where prices reveal the value customers place on them, public sector goods and services often have no price, or have regulated prices based on costs of provision or other considerations. Many public sector activities also produce value that is received by society as a whole rather than by any one individual. In fact, it is often because of these characteristics that the public sector provides these goods and services in the first place.

At its most basic level, productivity is defined as the ratio of outputs to inputs at a given point in time.

**‘Outputs’** refers to the goods and/or services produced by any given public service organisation. In the public sector, a higher quality-adjusted output would presumably correspond to an increased consumer valuation that can serve as a reasonable proxy for what the price would be in a free market, all else being equal.

**‘Inputs’** are factors of production that the public sector use to produce outputs. Some of the most important inputs in the public sector are labour, capital (computers, land, funds and other government-owned assets), and goods and services purchased from external suppliers.

Increased productivity is, in essence, more outputs for a given level of inputs, or the same outputs for fewer inputs.

Recent research improves public sector productivity measurement by measuring the value of outputs compared with the value of inputs over time.

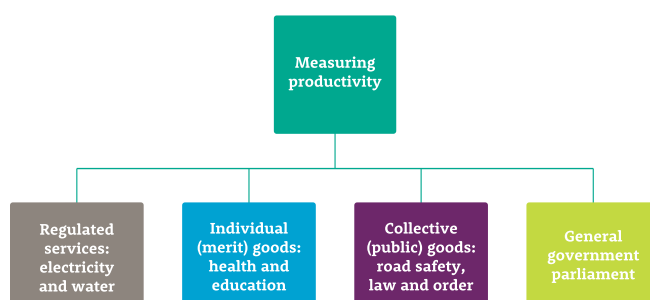
**Figure 2: Data needed to measure public sector productivity**



Including an estimate of the value of outputs allows us to measure how consumers value the activities of government, beyond what is captured by gross domestic product in the national accounts. More and better data would enable us to develop an aggregate measure across different activities, weighted according to this value.

In defining the scope of measurement for the research, we divided public sector activities into different types of goods and services, outlined in Figure 3 below.

**Figure 3: Nature of government-provided goods and services**



Regulated services such as electricity and water have previously been subject to rigorous productivity measurement. The focus for this research was on individual goods with positive externalities, or merit goods, such as areas of health, education and public transport. A possible approach to measuring productivity was developed, starting by narrowly measuring productivity in these three areas.

The theoretical model was tested by applying data from selected service delivery areas in health, education and transport. It showed that the theory could be applied to some service delivery areas, but that much more work was required before a robust and reliable measure of all public sector productivity could be produced and practically used.

It is also important to note that year-on-year productivity statistics hold little interpretive value. As such, it is likely that a full productivity cycle of at least five years of data would be required before trends could be seen and interpreted. This approach would also mitigate any potential short-term perverse outcomes caused by long-term productivity enhancing initiatives and investments.

Increased focus on measuring and monitoring productivity in the public sector could have unintended consequences. If used as a method of monitoring or rewarding performance, workers could have an incentive to concentrate on improving these measures at the expense of other elements of their roles. Nominal productivity improvements may come at the cost of true but unobserved productivity. This is particularly pertinent in the public sector, where output and quality measures are unlikely to fully reflect or measure all of the value and services provided.

## Data availability

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The information required to estimate proxy measures of productivity is not readily available within existing department data collections. Some agencies are required to collect and report significantly more data than others. However, even though significant data collection is already taking place, there are issues around the consistency of this data over time.

Not all data is comparable. For example, different reporting requirements mean that statistics reported to Treasury as part of the budget process are provided to COAG in a different format or using a different method.

Even departments with clear output measures suffer from a paucity of related quality measures and even fewer value measures that can be applied against this. Research highlighted the difficulty of finding value measures that adequately reflect the operational functions undertaken in a measured service area. This can be due to the bespoke nature of the services provided and the costs associated with developing and maintaining these measures

## Increasing productivity

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Much can be done to increase the understanding of productivity drivers – particularly by managers across the

public sector – and doing so will lead to better services and outcomes for the NSW community. Work is well under way on highlighted areas such as labour flexibility (through the *Government Sector Employment Act 2013*), leveraging new technologies (through the implementation of the *NSW Government ICT Strategy*), and increasing contestability.

Building on this work during 2014 the PSC Advisory Board will further examine digital technology as a driver for improving productivity in the sector.

While it's difficult to attain an aggregate measure of productivity across the NSW public service, taking a mid-level disaggregated approach can produce helpful information. This includes more work in identifying appropriate benchmarking opportunities and encouraging collaboration between central agencies and departments, to gather data that will help piece together a picture of service quality throughout the NSW public sector.

The PSC Advisory Board developed an approach to measuring productivity that could potentially be broadened in the future by:

- conducting further work with health, education and transport agencies to improve the measures
- expanding the measures to other areas of the health, education and transport sectors, based on more granular data
- broadening the estimates to include other departments.

There are challenges associated with aggregation that would need to be considered in any future work to obtain a whole-of-sector measure. Combining different types of measures with varying reliability and methodologies is inherently problematic. As such, an aggregate measure of public service productivity may not encompass a broad enough range of activities to appropriately reflect the activities of the entire NSW public service. Aggregate measures of productivity are largely undeveloped in Australia and internationally because they are so difficult to formulate – there is a risk of attempting to measure productivity before appropriate thought has been given to the methodology.

There is also a risk in any attempt to measure productivity that the time-consuming and possibly costly process of designing and operating data gathering and reporting systems will divert resources away from front-line service delivery. Productivity measures should build on data already available within the public service, rather than requiring large data sets to be built in addition to work already undertaken within departments.

Departments at different levels of maturity will need to use different processes to measure productivity. However, it is important to aim for consistency, at least within segments of the public service. This approach enables appropriate decisions to be made about methodology; desired outputs and their accessibility; the coherence of data collection in relation to other data sets; and the relevance of the data collection, given its purposes.

# Section 2: Customer Satisfaction

## Serving the customer

Improving customer satisfaction with public services is a priority of the NSW Government. Best practice public services have a culture of customer focus, employee commitment and accountability. One of the key ways to ensure a customer focus within the sector is to measure customer satisfaction.

Many NSW public sector agencies are already obtaining customer feedback to help improve their services; however, there is no single comprehensive approach to measuring customer satisfaction in the NSW public sector. The NSW Government recognises the importance of organisational leadership and culture, common measurement frameworks across agencies and continuous improvement processes in developing a sector-wide measurement approach.

## People Matter: 2012 NSW Public Sector Employee Survey

In 2012, the *People Matter Employee Survey* for the first time gathered quantitative data on the values, experiences and working conditions of more than 60,000 public sector employees, with a focus on colleagues, workplaces, managers and the organisation.

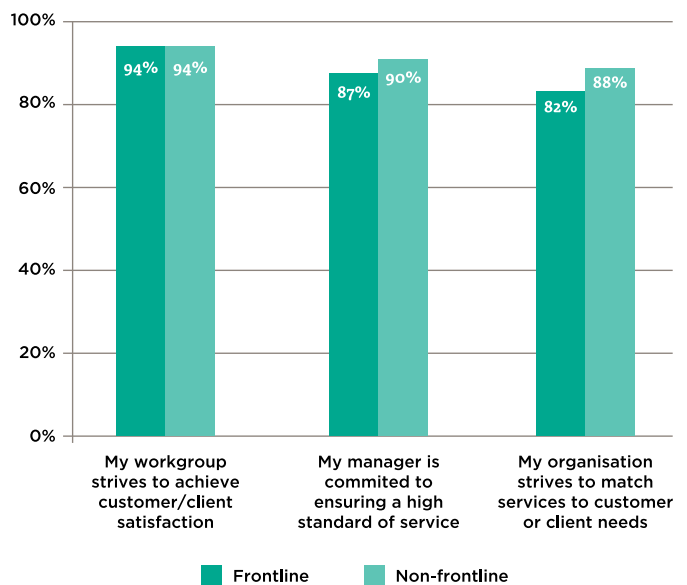
The survey also focused on employees' understanding of the four core public sector values – service, trust, integrity and accountability – which were legislated by the O'Farrell Government. Of the four core ethical values, employees were most positive about service. Overall, 80% of participants agreed that their workgroup and organisation provide and strive toward high-quality service. This sentiment was expressed by managers (81%), non-managers (80%), front-line (79%) and non-front-line (83%) staff.

As Figure 4 shows, almost all front-line and non-front-line employees agreed that their workgroup strived to achieve customer and client satisfaction (94% for both). However, slightly fewer front-line and non-front-line employees considered that their managers were committed to service delivery (87% and 90% respectively), and fewer considered that their organisation as a whole was committed to matching services to customers and clients needs (82% and 88% respectively).

The survey provided a unique insight into employees' perceptions of customer service, satisfaction and needs. This insight was shared in the *State of the NSW Public*

*Sector Report 2012* and the PSC Advisory Board then agreed that best practice state-of-the-sector reporting would also involve customers' perceptions on satisfaction and the core NSW public sector values.

**Figure 4: Employees' perceptions of the support for customer service by their workgroup, managers and organisation**



## New research

The PSC Advisory Board recently set two key research projects in motion, in line with the strategic priority to advise the Government on setting a framework for measuring customers' views on the public sector. These research projects included:

- a survey to collect advice from NSW public sector agencies on how they measure and report customer feedback (the Agency Customer Feedback Activity Survey)
- development of an evidence-based whole-of-government customer satisfaction measurement instrument covering service quality; the core NSW public sector values of integrity, trust, service and accountability; the impact of workforce engagement; and customers' past experiences of public sector service delivery as well as their expectations about future experiences.

## Definition of customer and service

For the purposes of the surveys, the concepts of 'customer' and 'service' were defined as follows:

**Customer:** any individual or organisation that directly uses services provided by a NSW public sector agency, regardless of whether they are referred to as a client, consumer, passenger, patient, visitor, student, parent or resident.

Organisations that would not be considered customers for the purposes of this work include:

- another government agency at the local, state or Commonwealth Government level
- an organisation funded by a NSW public sector agency to deliver services to individuals or organisations on behalf of the agency.

**Service:** any service delivered directly to an individual or organisation by a NSW public sector agency, excluding those delivered by an organisation funded by a NSW public sector agency.

## Agency Customer Feedback Activity Survey

An online survey, reviewed and tested in two public sector agencies, was distributed in August 2013 among senior agency representatives nominated by agency heads to elicit a complete picture of customer measurement activities being carried out by individual agencies that could be useful sector-wide. The survey also included a few accountability institutions such as the Audit Office of NSW and NSW Electoral Commission, but excluded state-owned corporations. A select number of agencies were asked additional questions based on their responses to the survey, specifically dealing with annual expenditure on feedback tools, and how customer feedback is used to engage staff and improve organisational performance (32 out of 49 invited agencies responded). A report that reflects largely on the customer satisfaction feedback initiatives of the NSW public service was provided to agency heads in October 2013.

### Key Survey findings:

Of the 108 eligible agencies, 83 responded to the survey – a response rate of 76.9%.

Of the 83 survey participants, the vast majority currently collect feedback from customers (93.8%).

Nearly 75% of the surveyed cohort indicated their agencies were currently implementing customer-related initiatives as a result of customer feedback.

### Key Survey findings:

When asked how customer feedback is used, the least frequently selected responses from surveyed agencies were “to measure changes in productivity” and “to compare and contrast with staff feedback”, suggesting that customer feedback is less commonly used to instigate more complex reforms.

## Whole-of-Government Customer Satisfaction Measurement Instrument

The PSC Advisory Board saw the need to develop an instrument that could measure customer satisfaction.

### The recommended measurement instrument:

- measures customer satisfaction with individual service experiences over the past 12 months, then aggregates to a whole-of-government level to provide a more meaningful total rating, as opposed to rating satisfaction with government as a whole, which may be difficult for customers to conceptualise. (The logic also allows for the composite total to reflect the services in correct proportion with the greatest exposure to users, which would, as a result of this exposure, end up weighting the overall perception of NSW public services.)
- measures two distinct areas: customer satisfaction (with services and processes) and perceptions of the core NSW public sector values (trust, integrity, service and accountability)
- includes 21 attributes for tracking, comprising the top 10 attributes that drive satisfaction and core values, and 11 additional actionable attributes
- is primarily implemented online with computer – assisted telephone interview and face-to-face supplementation and calibration to include customers who don't have internet access
- uses a 1–10 rating scale, which allows for a wide variety of responses, is intuitive to apply, and is useful for international comparisons
- allows for future analysis by individual services; for example, how the drivers of satisfaction with NSW public services overall relate to the drivers of satisfaction with individual services such as public transport, and hospital and ambulance services.



The methodologies for developing the instrument are listed below.

- **Instrument design** including exploratory qualitative research with customers and public sector employees and external expert review, was structured to capture a good spread of experience across different NSW public services, with a mix of both consumers and business customers. Respondents were a balanced mix of men and women aged 20–70, who had experienced direct exposure (telephone or face-to-face) with the nominated department in the previous six months. Internal employee interviews were also undertaken. These took the form of ‘paired’ interviews (two employees interviewed together) and focus groups to allow for discussion between employees.
- **Instrument testing** involved two stages, due to respondent and analysis challenges encountered during stage one:
  - Stage one involved testing the initial instrument based on whole-of-government ratings across customer segments and using multiple methodologies. The total sample size comprised 1,310 respondents.

- Stage two involved online testing of a revised instrument, including a different scale and an overall satisfaction score based on individual experiences. The total sample size comprised 669 respondents.

- **Analysis of test results** was conducted according to key measures across key demographic groups.
- **Reporting the instrument** included expert review and analysis of key drivers.

The revised instrument developed as a result of stage two will more successfully measure satisfaction. The final instrument is ready to be implemented without any further development.

Testing identified that the two distinct areas being measured – customer satisfaction, and the perception or image of the core NSW public sector values – are moderately related. This means different attributes drive both satisfaction and the core values, increasing the number of attributes that can be considered to identify drivers of both areas. Responses regarding core values were highly interrelated, particularly in relation to integrity and trust. This implies that respondents found it difficult to differentiate between each of the core values.

**Table 2**

Six key drivers of satisfaction	Four additional key drivers of the core NSW public sector values of trust, integrity, service and accountability	11 additional attributes
Reliable	Is held accountable	Sees things from my perspective
Engenders confidence in their knowledge	Uses processes that are easy to understand	Uses processes that are designed to reduce waiting times
Provides good-value services	Demonstrates openness and transparency in decision making	Is consistent
Is proactive in helping	Empowers employees to make decisions	Provides services without bias
Communicates well		Is honest
Safeguards privacy and confidentiality		Delivers high safety standards
		Focuses on addressing customer needs
		Encourages public participation in decision making
		Makes it easy to get to the right person the first time
		Does what they promise
		Gets things done as quickly as possible

The analysis enabled us to derive 21 attributes, comprising six key drivers of satisfaction; four additional key drivers of the core NSW public sector values; and 11 additional actionable attributes, which were not key drivers of satisfaction but were retained for tracking, based on the ability to act on them and their relevance to customer satisfaction.

### Key themes from the qualitative research

- There is dissonance between customers' positive personal experience with NSW public services and the image of the typical NSW 'public servant'.
- Customers' expectations of 'good service' are largely reliant upon the motivation and attitude of the individual public servants with whom they interact. For customers, good service is totally dependent upon a public servant's perceived willingness to be helpful, to address their issue or question specifically, and to fully engage with them as individuals.

## Encouraging a customer focus

There are a number of initiatives underway to encourage a customer focus across the sector:

- *NSW 2021* includes a number of goals aimed at improving the NSW economy, such as Goal 30: restore trust in State Government as a service provider
- the PSC is focusing on modernising structures, capabilities and employment conditions across the public sector
- Mr Michael Pratt has been appointed as the inaugural Customer Service Commissioner to lead a transformation of customer service across the sector.

In addition to the above initiatives, the NSW Government created Service NSW to offer a broad range of NSW government services and transactions through three service channels, namely:

- a new customer-friendly website ([www.service.nsw.gov.au](http://www.service.nsw.gov.au))
- service centres with extended opening hours (7 am to 7 pm weekdays, and 9 am to 3 pm on Saturdays), with 18 centres already established
- a 24/7 telephone service answered by real people located in NSW.

The transformation of customer service will also involve:

- commitment, including a clear vision that puts the customer at the heart of every major decision about service delivery; strong leadership that firmly demands incorporating customer needs into policy development and reform programs; and collaboration models that intimately involve customers and employees
- continually modernising capabilities (both human and technological) to better address evolving customer needs, as well as improved productivity, shared solutions and better efficiency
- accountability, involving an honest assessment of service levels; clear and shared accountability for improvements; a relentless focus on improvement; and reliance on the Whole-of-Government Customer Satisfaction Measurement Instrument.

The PSC Advisory Board has endorsed the transfer of the Customer Satisfaction Measurement Instrument and Agency Customer Feedback Activity Report to the Customer Service Commissioner for consideration and implementation. The PSC Advisory Board has undertaken to provide advice on sector-wide issues raised by the survey of agency customer feedback activity in a formal handover of this work.

Data collected about customer satisfaction measurement will be analysed and reported on by the Public Service Commissioner in the *State of the NSW Public Sector Report 2014*.

Public sector employees should consider analysis of key drivers undertaken in developing the Customer Satisfaction Measurement Instrument and reflect on what action they might take both individually and as members of teams to improve their behaviours and/or business processes.

# Section 3: Collaboration

## Joining forces to improve customer service

The NSW public sector works to deliver services and uphold the NSW Government’s priorities set out in *NSW 2021*, the 10-year plan to rebuild the economy, deliver quality services, renovate infrastructure, restore accountability to government, and strengthen local environments and communities in NSW. The not-for-profit and private sectors deliver a significant number of services and programs on behalf of the NSW Government.

The concept of collaboration is of interest to governments around the world, as it enables the public sector to better meet customers’ expectations of service within constrained budgets, and to grapple with complex policy and service delivery challenges. There are strong links between collaboration, customer service, productivity and the public sector’s growing interest in testing new commissioning models for the development and delivery of services.

The research commissioned by the PSC Advisory Board focused on existing collaboration within the public sector and between the public, private and not-for-profit sectors in NSW. The project also examined leading practice, in Australian and overseas jurisdictions, and collaboration with academia. Findings were tested with knowledge experts as well as practitioners from all sectors, to gather evidence that could be used to build on leading practice and challenge all sectors to work differently in the areas that show the most potential benefit from delivering improved customer outcomes.

### Key research findings:

Collaboration is one way to improve productivity and customer service outcomes.

Many forms of collaboration are available to the NSW Government.

Collaboration within and between public sector agencies and between the NSW Government and other sectors can deliver substantially better outcomes for current and potential customers.

Collaborations do not always deliver and can be costly.

There are crucial enablers of collaboration and potential barriers to overcome.

There are different implications associated with the enablers and barriers for each sector.

Particular skills and knowledge are needed for successful collaboration.

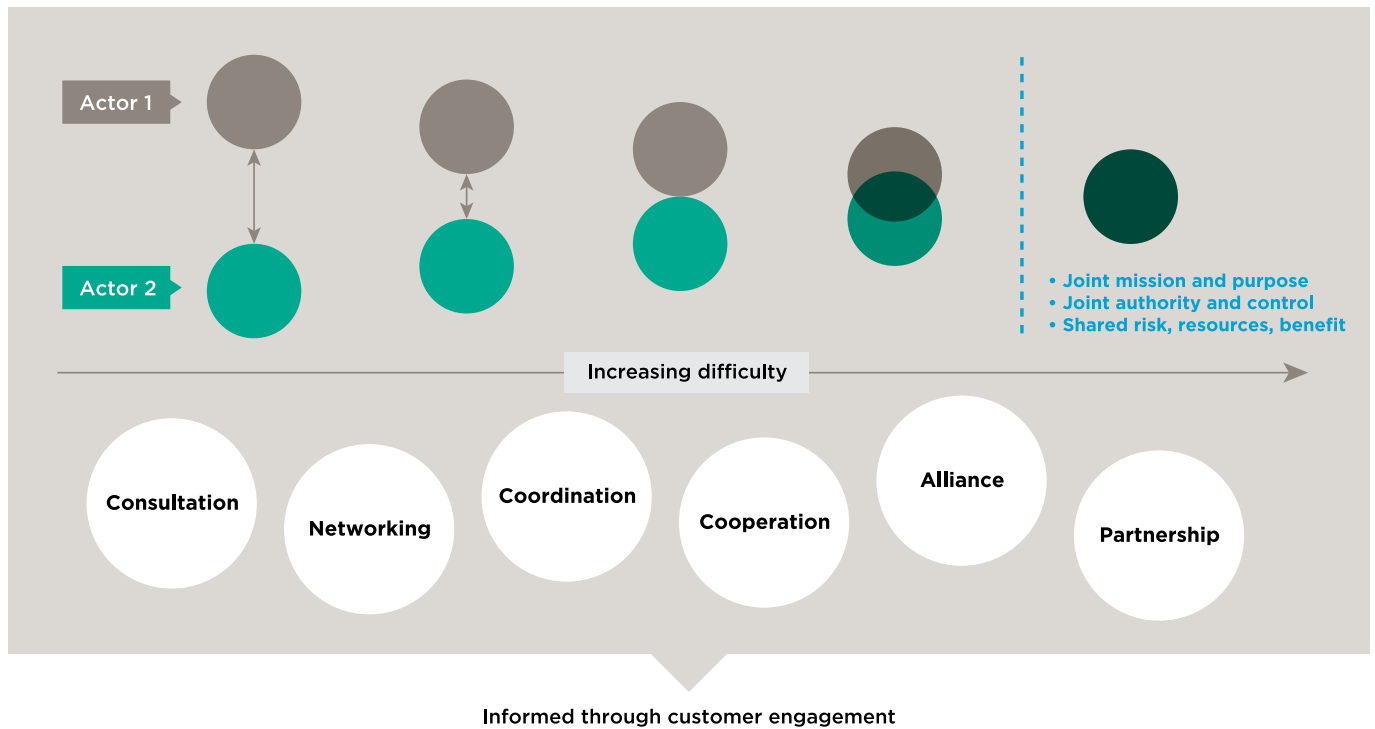
It is important to match the right model of collaboration with the purpose of collaboration.

Actions are required to establish the environment for effective and expanded collaboration.

Strong leadership by the Premier, Ministers, the PSC and senior public servants will be essential to success.

The full research report – *Collaboration between sectors to improve customer outcomes for citizens of NSW* (compiled by the Nous Group) – and a collaboration blueprint for practitioners are available online at [www.psc.nsw.gov.au](http://www.psc.nsw.gov.au). This section summarises the proposed implementation strategies.

**Figure 5: Span of Collaboration**



## Definition and characteristics of collaboration

A broad definition of collaboration was considered in the research (see Figure 5); however, the main focus was on more intensive forms of collaboration such as alliances and partnerships. The project recognised the importance of citizen engagement and the emerging area of system design, but did not delve into these different but related topics.

A literature review revealed that a common set of characteristics can be applied across different types of collaboration with varying degrees of intensity. These are:

- commonality of mission or purpose
- compatible authority and control mechanisms
- formality of the relationship
- trust between collaborators
- investment in the collaboration
- risk, benefit and resource sharing.

The type of collaboration most fit for purpose can be determined by the extent to which these characteristics are necessary or can be realised in a practical sense. Considering these features also helps parties to understand implications before entering into collaboration. A joint mission, such as that shown at the extreme right of Figure 5, requires all of these features to be present to the fullest extent.

## Models of collaboration

There is a wide range of collaboration models. These models are not mutually exclusive, and features are not fixed but subject to adjustment by participating parties. These models can be grouped in two categories:

- those primarily based on a financial arrangement
- those primarily based on coordination of collective interests.

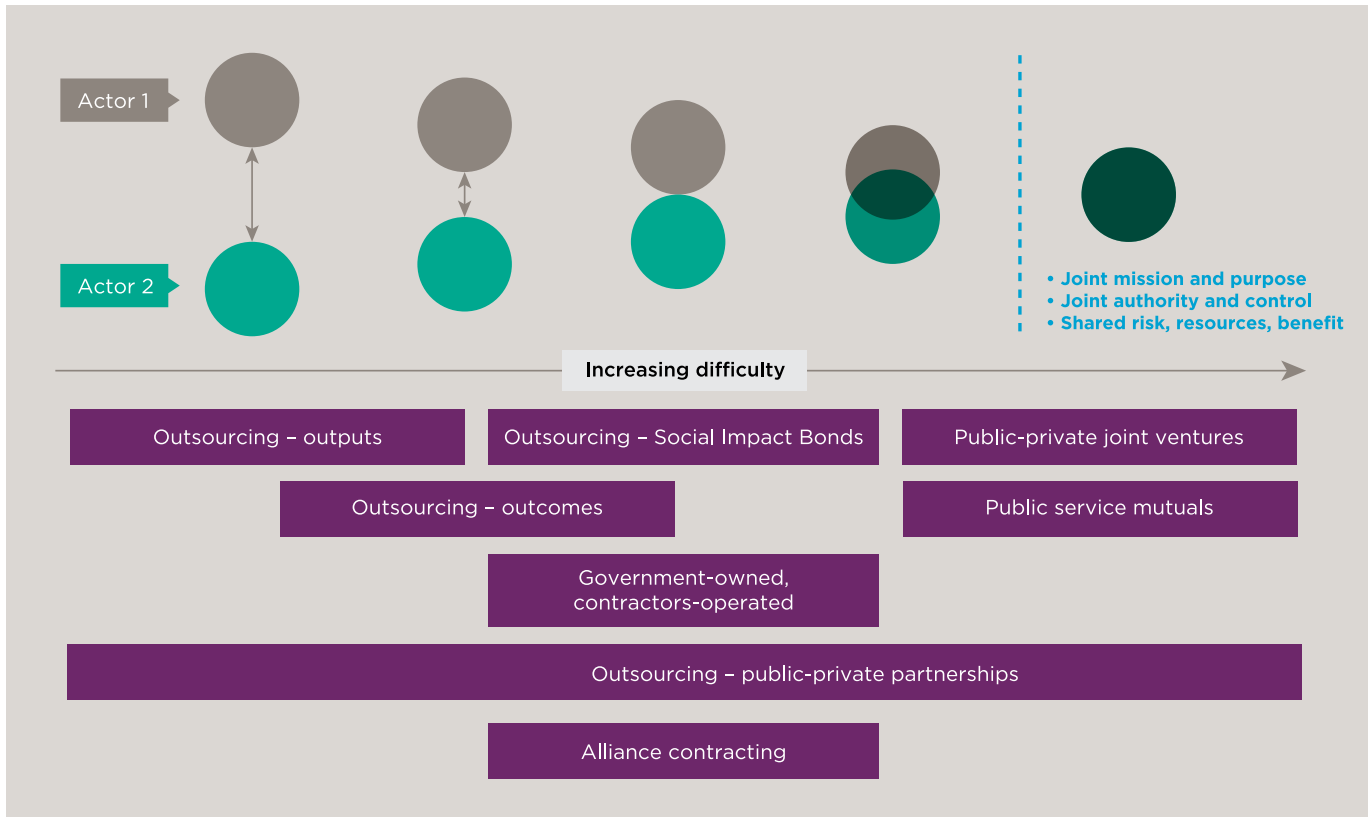
### Models based on a financial arrangement

These collaborations will typically involve a commercial transaction where the public sector is making financial (and often other) contributions to better achieve its outcomes. Examples include contracting (for capacity, activities, outputs or outcomes), public-private partnerships, alliance contracting, Social Impact Bonds, public-private joint ventures and public service mutuals. Some of the key models are depicted in Figure 6, using the span of collaboration to highlight the degree to which risk and rewards are shared.

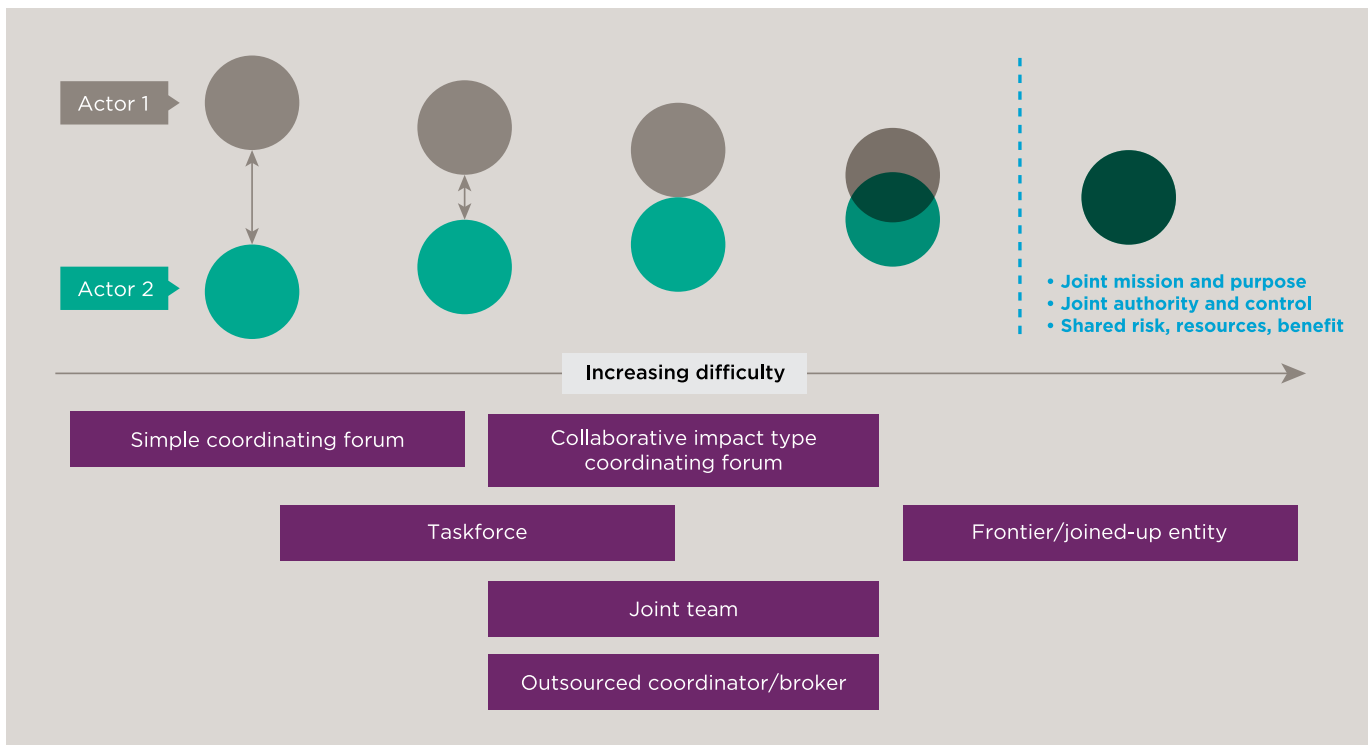
### Models based on coordination of collective interests

The common principle of these models is coordination of collective interests and actions, which do not necessarily involve direct financial transactions between organisations. These models lend themselves to involving others in policy development, service design, service delivery and evaluation. There are two main streams: the first centres on the need to better integrate government services, while the second positions public sector providers as one category among many in a landscape of providers. Examples include coordinating forums, taskforces, joint teams, frontier or joined-up entities, and outsourced coordinator or broker models (see figure 7).

**Figure 6: Models of commercial collaboration**



**Figure 7: Models of coordination collaboration**



## Project findings

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The following section sets out the four main findings from the literature review, analysis of case studies, and advice from experts and practitioners through focus groups, roundtables and interviews.

### 1. Collaboration can deliver substantially better outcomes for customers.

Collaboration enables organisations to access complementary features of other organisations or sectors to solve problems that the public (or any other) sector cannot solve on its own. Each sector may offer different combinations of these benefits to other sectors. Opportunities to use collaboration to improve customer service outcomes may be identified or initiated by public, not-for-profit or private sector organisations. As such, parties to collaboration should be ready to respond to proposals from other sectors.

Collaboration, whether internally or externally focused, helps the public sector to:

- overcome budget constraints in the face of rising citizen expectations
- grapple with increasingly complex community needs
- better manage risk.

Put simply, collaboration is a critical dimension of being 'open for business'. It demonstrates that the NSW public sector can work productively with private and not-for-profit sectors, academic bodies and other jurisdictions.

The complementary features of other sectors include:

- **knowledge and ideas** – allowing an organisation to learn specific knowledge or approaches, and to broaden its input in addressing a problem, increases the quantity and quality of suggested solutions
- **skills or competencies** – these may be technical or experience-based

- **status** – customers from particular social or community groups may be more willing to engage with private or not-for-profit organisations than with government agencies; for example, a private and not-for-profit organisation may have a trusted brand with the broader community or particular parts of a community
- **relationships** – other private or not-for-profit organisations (such as Aboriginal and Torres Strait Islander-led organisations located in Aboriginal or Torres Strait Islander communities) may have more established relationships with customers that a public sector agency is seeking to engage
- **assets** – private or not-for-profit organisations may have assets or access to assets that a public sector agency does not. This may include access to physical assets (for example, a physical presence in particular locations), and intangible assets such as intellectual property on how best to undertake particular service delivery, or particular information sets and expertise
- **funding** – other organisations may have a greater capacity to fund a large infrastructure project.

Direct benefits of collaboration to the public sector include:

- **increasing innovation** – drawing on a broader pool of ideas and approaches
- **increasing effectiveness of services** – delivering better outcomes aligned with policies or program objectives
- **increasing cost-effectiveness of services** – delivering the desired outcomes at lower overall cost
- **increasing efficiency of service delivery** – delivering services at a lower cost than if they were delivered by the public sector
- **reducing risk** – both political risk from the project failing, and direct risks to public sector employees and those impacted by the service.

Indirect benefits achieved through the experience of collaboration are often under-recognised. Collaborative relationships generally operate outside the boundaries of traditional hierarchies, and foster a greater sense of voluntary cooperation.

This results in:

- **personal and organisational relationships** – where working together, if done successfully, lays a foundation for future collaborations
- **increased societal trust** – because by working with others, public sector agencies are able to demonstrate an openness to learn from and work collaboratively with others
- **increased societal engagement** – because by working with others, public sector agencies encourage active involvement of citizens and organisations in working on issues of public policy and agencies may also build acceptance of, or support for, the policy or program that is the focus of the collaboration.

In addition, collaboration may indirectly benefit a public sector agency by:

- **developing the organisation's strategic focus** – because the process of deciding whether to engage an external provider could lead an organisation to more sharply define its purposes, identify opportunities for process improvement, and foster a shared understanding of its external context.

The above direct and indirect benefits can apply whether agencies collaborate within government or with other sectors.

## 2. Collaborations do not always deliver and can be costly.

Research and interviews with practitioners point to mixed outcomes from past collaborations. Although many have been successful, others have failed to deliver their full promise. Collaborations can also incur substantial costs:

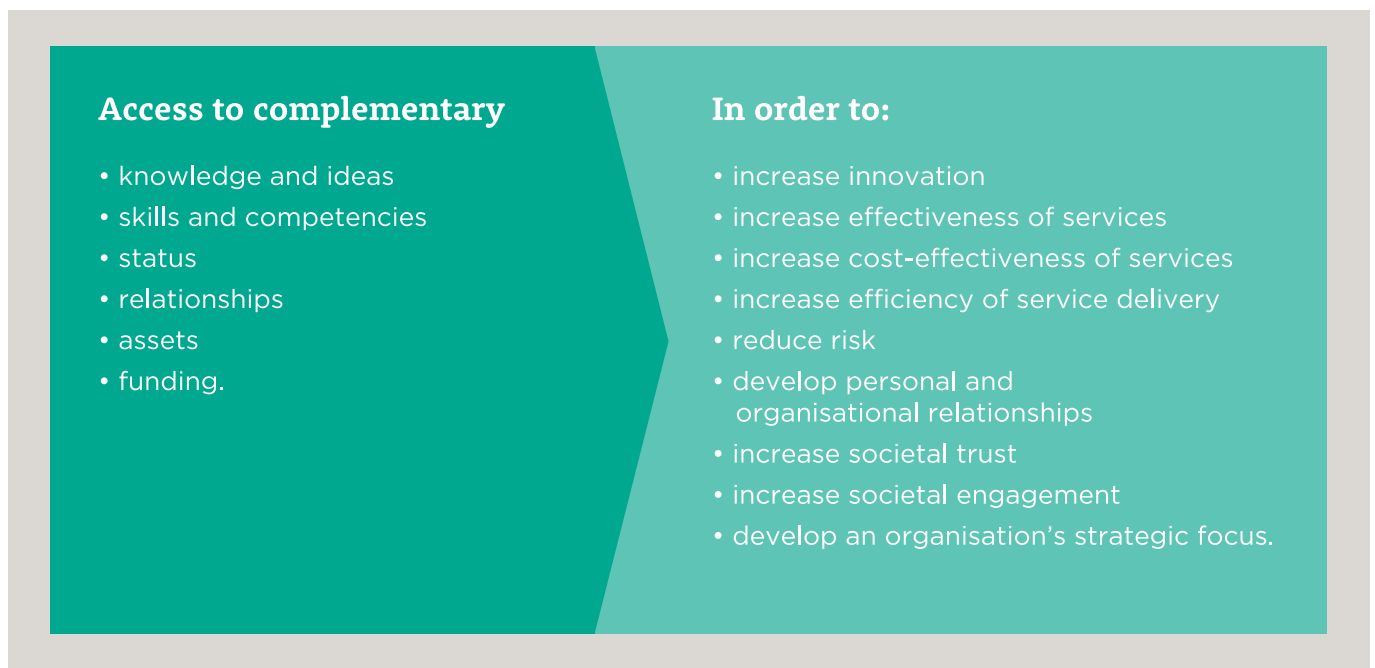
- in delivering the substantive elements of the collaboration
- in creating and maintaining the relationships underpinning the collaboration
- strategically, where having an external provider deliver services leads to the loss of core competencies or adversely affects the public standing of the organisation.

It is therefore critical to assess the potential outcomes from collaboration and compare them with the expected costs. Collaboration is a tool that should only be used where it makes sense to do so.

## 3. There are crucial enablers of collaboration, and potential barriers to be overcome.

Research identified broad enablers and barriers to successful collaboration. They appear to apply to all models of collaboration but have varying degrees of importance depending on the type of collaborative relationship being pursued. The more intensive the form of collaboration, the more critical it is to have all the enablers in place and all the barriers overcome.

**Figure 8: The value collaboration may deliver**



The presence of mutual goals, purpose and benefit is the essential or ‘capstone’ enabler. The other enablers and barriers are depicted in Figure 9.

Some barriers are specific to the public sector, including:

- stringent accountability frameworks that may limit flexibility
- a political environment that can change rapidly and force public sector collaborators to change direction and priorities
- the Government’s power, as a rule setter and a major funder
- the frequent movement of public servants into new roles
- a strong professional public sector culture.

Effective collaboration requires certain capabilities: conceptual, interpersonal, influential and technical. These are critical to supporting the enablers and overcoming the barriers discussed above and below. Full details of the particular skills and knowledge required for effective collaboration are in the Nous Group report.

Some common reservations expressed by potential partners are that:

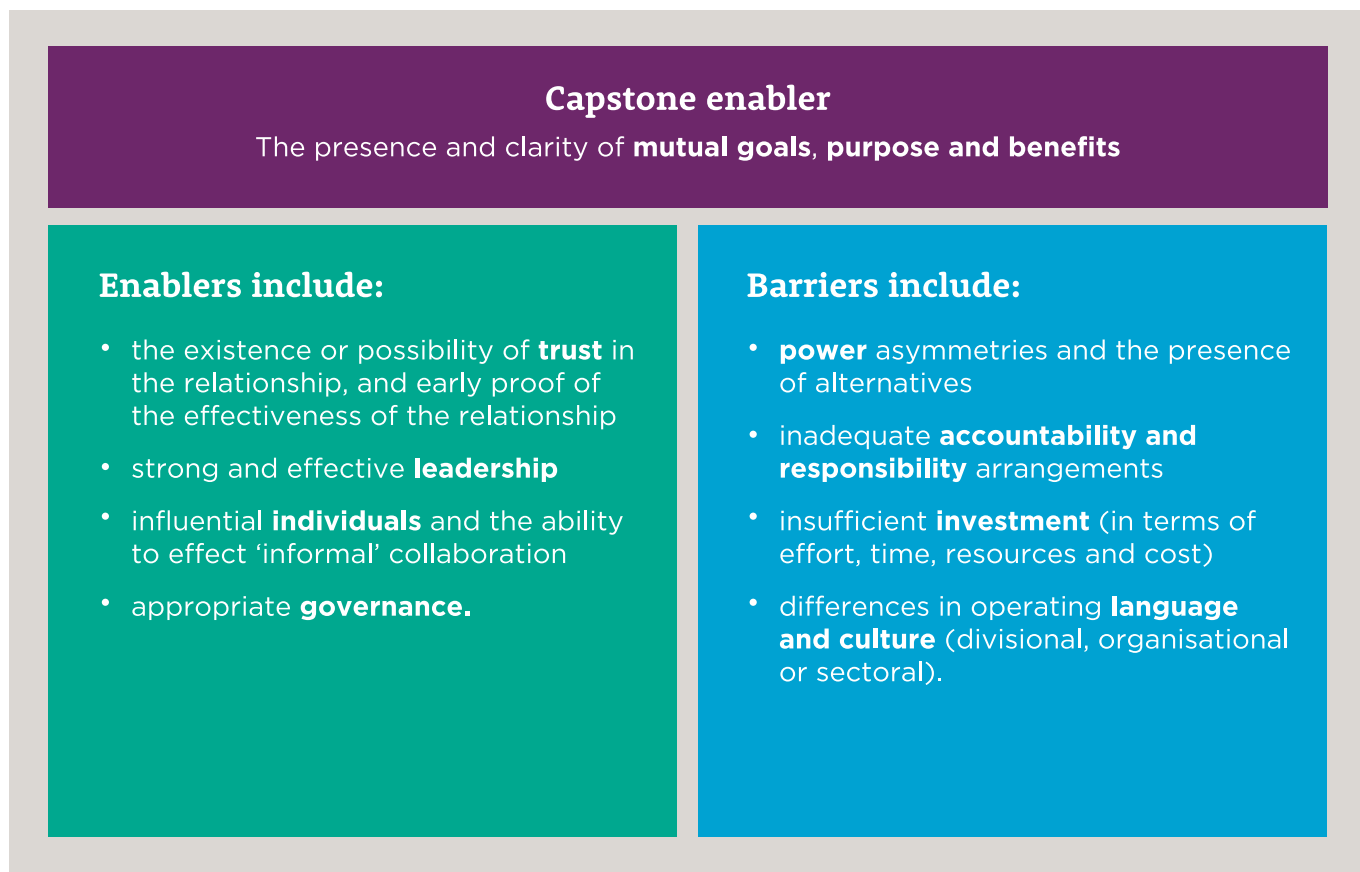
- the not-for-profit sector may be concerned about being overburdened with excessive reporting and engagement requirements
- the private sector may wish to operate in a stable environment with minimal red tape and bureaucracy
- academia may be concerned about its need for independence and the focus on publications while meeting the need of the partnership.

Any collaboration involving the public sector needs to explicitly recognise and manage these challenges.

#### 4. Strong leadership by the Premier, Ministers and senior public servants is essential to success.

Collaboration across governments and between sectors has the potential to deliver substantially better outcomes for NSW citizens. Collaboration requires thoughtful consideration to determine when and why to collaborate, as well as genuine support to bring about the conditions required for effective collaboration. This involves actively removing potential barriers to collaboration, making an effort to bring about the enabling factors, and actively developing capabilities within the collaborating organisations and individuals. However, past collaborations have often been driven by individual leaders, rather than being led by the NSW Government and sector leaders as a whole.

Figure 9: Enablers of and barriers to collaboration





Achieving a change in outcomes for NSW citizens through collaboration will require:

- **strong leadership** by the Premier and Ministers in adopting collaboration as a common way of working. In particular, leaders must acknowledge and accept the risks associated with trying new approaches, and accept that collaborations do not always succeed, and Secretaries and Chief Executives must support their agencies to develop greater capability, and proactively and reactively take up collaborative opportunities
- **supportive accountability and incentive arrangements** to help agencies and individuals increase the use of collaboration, such as performance recognition of collaborative efforts and outcomes, and measures targeting the organisation and individual to track progress
- **active development of the capabilities** required for collaboration, supported by practical resources and tools to increase capabilities of staff involved in collaborating at different levels (including front-line staff)
- **increased opportunities to collaborate** and learn through practice by recognising and building on successful existing examples, taking lessons from those that don't succeed, and identifying and facilitating new areas for collaboration.

## The future of cross-sector collaboration

To help strengthen cross-sector collaboration, the PSC Advisory Board and the Public Service Commissioner will:

- work with Ministers and heads of agencies to identify a number of high-impact potential collaborations to progress in the near term
- work with heads of agencies to improve the public service's risk tolerance for collaborative approaches, through messaging and performance management
- support a requirement for increased collaboration, with reporting and accountability arrangements for the public sector using one-, three- and five-year horizons
- promote information about effective collaboration and examples of leading practice.

The PSC Advisory Board will oversee an implementation plan involving communication, stakeholder engagement, monitoring, reporting and evaluation strategies, and the new trial of collaborations. The Public Service Commissioner and representative members of the PSC Advisory Board have met with the Secretaries of all departments to discuss the findings of the collaboration research and to request examples of leading practice. The PSC Advisory Board will work with the Public Service Commissioner to report progress on this work, and on establishing an environment for collaboration, in the *State of the NSW Public Sector Report 2014*.

Peak bodies external to the NSW Government, such as the NSW Business Chamber and the NSW Council of Social Service, have offered to assist with communication and promotion in the private and not-for-profit sectors.

The Public Service Commissioner will release clear and consistent statements about the NSW Government's expectations for agencies to collaborate with the not-for-profit and private sectors, as well as clear risk tolerances for testing new approaches that may not always succeed. The Commissioner will discuss strategic directions with the Secretaries of departments and heads of agencies, and will raise the profile of this work with public servants when he addresses information forums regarding wider public sector reforms in regional and metropolitan NSW in early 2014.

The PSC will work with key cross-sector stakeholders to sound out possible policy or service delivery areas to trial the new model in 2014. Examples of good practice in collaboration across the sector will be showcased through the annual Premier's Awards for Excellence in Public Service Delivery. Those examples will also be discussed at conferences and forums. The PSC will consider potential tools and resources that support the development of public sector knowledge and skills.

Secretaries of departments and heads of agencies will need to reinforce the leadership provided by the Premier and Ministers; identify and remove obstacles to drive change; and invest in and drive capability and cultural development to support collaboration.







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