

# THE PATERSON ORATION 2016

Peter Shergold

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I am delighted to have been honoured with the unexpected opportunity to give this year's Paterson oration. John Paterson was a talented public servant. He was also an amazing individual. The first time I met John I was immediately struck by his physical appearance, for John had been born with diastrophic dwarfism. I think I remained aware of his stature and gait for the first 30 seconds. After that all I could ever focus on was his challenging mind. John didn't just talk: he debated fiercely (even with himself). In his commanding presence one witnessed the energy of a person with a passion for life and a burning commitment to the vocation of public administration. He was a true provocateur. He employed his sharp intellect, sharper tongue and biting humour to challenge many of the reassuring verities that foster public service complacency.

John died, too young, in 2003. I became the chair of the Australia New Zealand School of Government three years later. In my informed view it was John Paterson who was the intellectual progenitor of ANZSOG. Certainly it was John who persuaded me in the late 1990s of the need for a trans-Tasman organisation that could teach, research and advocate. I was quickly seized by John's vision of 'a new school of thought' that could inspire public servants to appreciate the valuable role that an independent public service contributes to democratic governance and help them re-imagine how that purpose could best adapt to a changing world.

The Oration that acts as a memorial to John Paterson's contribution has attracted many distinguished speakers. Prime Ministers John Howard, Helen Clark, John Key and Kevin Rudd have each used this prestigious platform to reflect on public service. As the distinguished jurist, Michael Kirby, said in his address in 2010, "If I could not attain the Prime Ministerial office by my achievements, I could at least secure the next best thing: delivering the address to ANZSOG".

That unworthy sentiment has led me to reflect on how the present Australian Prime Minister, Malcolm Turnbull, might have addressed this gathering. There are clues. Just before the writs of election were issued in May the PM spoke to an IPAA gathering in Canberra. I wasn't present but I've read the speech and noted the major issues on which it concentrated – the desirability of gender diversity in public service leadership, the significance of institutional experience and memory and (almost inevitably) the far-reaching possibilities of digital engagement with citizens. I've also viewed the celebratory photos from the occasion: the Prime Minister looking to the upcoming election with quiet assurance, surrounded by APS eminences publicly flaunting their covert power. Of course, looks can be deceiving!

According to the on-line media of record, *The Mandarin*, "Turnbull unsurprisingly endorsed former mandarin Peter Shergold's vision of an 'adaptive government'" and "also agreed with Shergold's argument that government messaging needs to change". I am certain that is **not** what the PM thought he was doing. Nor, in truth, was he. I suspect that the presumptuous conflation of Shergoldian and Turnbullian ideas came about because just a fortnight previously I had spoken to a similar IPAA audience at the same venue.

I used that occasion to talk about the report that I had written for the Commonwealth government, *Learning from Failure: How large government policy initiatives have gone so badly wrong in the past and how the chances of success in the future can be improved*. That Wildavsky-like subtitle was almost as long as the report's protracted gestation. I was handed the commission on Christmas Eve, 2015; presented my conclusions to the Abbott government in August 2015; and eventually saw them made public by the Turnbull government five months later at the end of February 2016. The release of the report, I surmise, represents at least a willingness to have my ideas debated if not given a ringing endorsement.

I do know that the PM and I are in strong agreement on at least one fundamental aspect of the Westminster system, namely the central role that Cabinet should play as a collective forum for vigorously discussing, challenging, amending and (on occasion) rejecting public policy proposals. This, certainly, is one of the key lessons I drew from my investigation of the disastrous design and implementation of the Home Insulation Program. I was left in no doubt that failed Cabinet processes contributed mightily to poor decision-making. Based on his own experience, the importance of a well-functioning and collegiate Cabinet is a goal to which the PM subscribes and frequently espouses. At the 2013 Sir John Monash Oration, presented by Malcolm Turnbull, he referred approvingly to a statement that I had recently made on the comparative strength of Australia's Cabinet system. He extolled the need for Prime Ministers to use Cabinet to temper their impatience, finding wisdom in Proverbs II: "Where no counsel is, the people fall: but in the multitude of counsellors there is safety".

It is at least possible that the PM might also have sympathy for the concept of adaptive governance, which is the underlying theme of my address this evening. But although my speech seeks to convey some of the innovative impulse that reassures the PM that our nation can successfully address contemporary challenges, this is most assuredly not the speech he would have given. Let me, nevertheless, take the expressed sentiments of Malcolm Turnbull as the introductory text for tonight's Oration. As he told the IPAA luncheon, "I want to see... public servants who are filled with curiosity and a desire to make a difference".

That, too, is my ambition. I take great pride in the late C19th Westminster tradition of a permanent public service, in which administrators of professional integrity are selected on merit and serve successive democratically-elected governments in a non-partisan manner. I believe that the ethos of impartiality makes public service a vocation not a job. Yet, for the last quarter of a century, within and without the Australian Public Service, I have been intrigued by whether the traditional values of an apolitical public administration can be successfully adapted to the changing circumstances of the early C21<sup>st</sup>. As the PM hoped, I have always sought to make a difference, from my appointment as founding director of the Office of Multicultural Affairs in 1988, to my most recent role as NSW Coordinator-General for Refugee Resettlement. As I've travelled through the APS way stations of situational authority on that long journey of discovery, I have been motivated by the desire to contribute to the public good. Sometimes, although rather less frequently than I would have hoped, I've been successful.

During that time much has changed for the better in public administration. Australian public services have improved how they go about their business. Public infrastructure is increasingly built on the basis of private-public partnerships. Much of the front-line work that public servants used to undertake has been outsourced to organisations in the business and community sectors. This commissioning of service delivery has created greater diversity and contestability in the provision of government programs. More recently, a philosophy of consumer-direction has sought to provide recipients of government support with more choice. Public programs are being implemented with a stronger commitment to service, transacted face-to-face, by telephone or online. It is important to recognise that citizens, with their balance of rights and responsibilities, are far more than 'customers': nevertheless, the services they receive from government should be just as accessible and valued as the services that they purchase directly from the private market.

The positive news is that public services have shown a remarkable capacity to assess their own need to improve, generally without the instigation - and sometimes without the full authority - of the governments that they serve. The management consultancy language that extols leadership development, performance management, organisational capacity, workforce capability, strategic direction and human-centred design is now commonplace in public administration. Every Australian jurisdiction, in its own manner and with varying degrees of commitment, has embraced 'reform' agendas over recent decades. The former Australian Public Service Commissioner, Steve Sedgwick, is probably correct in his belief that there has been a formal review of the APS about once every

decade. At the very least, public services deserve to be commended for their resilience in the face of austerity and adversity.

And yet I don't think all that effort is good enough. No doubt I see through a glass darkly, but to my imperfect vision bold public sector innovations are too often launched, only to shipwreck on the reefs of inadequate foresight, unsustainable implementation, cautionary risk aversion or failure of imagination. In a digitally-connected world, in which the movement of capital, labour and products has become freer, and in which the movement of ideas (good, bad and ugly) is unrestricted, public services need to adapt in more innovative ways. They need to think global but act local in response to changing circumstances. They need to become driving forces for public good rather than impose a deadweight burden of bureaucratic regulation on the creation of economic well-being and social benefit. Of course, I want to see progressive enhancement in the efficiency and effectiveness of public administration. But my ambitions – against which I measure success – are far grander. I wish for an improved civil **service** but, more fundamentally, I would like to see it make a more profound contribution to the revitalisation of a civil **society**.

Such were my musings last year, as I contemplated the deeper significance of the manner in which government initiatives can go so badly wrong. I sought to imagine a different public service, faithful to the old traditions but responsive to the emerging challenges of a new world. The term I coined was 'adaptive government'. In retrospect I think that 'adaptive governance' is more accurate, for success depends not just on a new form of political leadership but on a different expression of public service.

Honesty compels me to confess, however, that my claim to ownership of the concept is true only in a public service sort of way. I was fortunate to have a small but enthusiastic group working with me as I drafted the *Learning from Failure* report. As I wrestled to articulate disparate and ill-formed ideas into a coherent body of thought it was one of that team who suggested the term. She had (perhaps) discovered it during her research. She immediately recognised that it captured well the concept of a more flexible and decisive public service, able to respond quickly to governments as they sought to change strategic policy direction and/or deal expeditiously with immediate and often unanticipated crises. I stole her idea with good grace. In academic circles that form of intellectual theft is characterised as plagiarism: in public service it's known as hierarchy. If ideas turn out well they are developed by administrative service officers, refined by senior executives, burnished by the Secretary and publicly announced by the Minister: if they go wrong, as happened so disastrously with the installation of pink batts, responsibility is quickly devolved down the line once again.

But here's the final twist of coincidence on my path to adaptive governance. In January this year a book edited by Wu Wei Neng appeared, published by the Singapore Civil Service College, where I am a Visiting Research Fellow. I have an article in that volume on "Creating public innovation through collaboration". It is based on a presentation that I had given to College students. The title chosen for the book was *Adaptive Governance for a Changing World*. In a Foreword, Luke Goh opined that the lectures in the book had a common theme, namely "the need to adopt new and innovative approaches to governance and policymaking." Whilst it was not the descriptor that I or any of the other contributors included in our titles, it captured for the editor the way our lectures collectively pointed "the direction to more adaptive, responsive and effective forms of governance for our uncertain and complex times." Perhaps the episode reveals how others know what I am talking about before I do.

Once alerted to the term I embraced it whole-heartedly. It seemed to capture the suite of structural and cultural approaches that a government – indeed, a society – should expect of its public service agencies. It provided a bridge to many of the reforms that I have championed in recent years - such as commissioning service delivery on the basis of the most effective distribution channel, building cross-sectoral collaboration, co-designing programs, incorporating social impact funding and empowering citizens by allowing them to exercise choice in a contestable public economy. The term

was applicable, also, to the need to address failures that had become evident during my enquiry, such as the inability to manage risk adequately, to learn from experience or to manage major projects in a responsive manner.

So what are the key characteristics of adaptive governance? The first element that a public service requires is organisational flexibility. The way to do this is for administrators to agree with government ministers the ends that they seek, the budget that they are willing to make available, the timeframe that have in mind and their appetite for risking political capital in pursuit of their aspirations. Having established the outcomes to be pursued, success should be measured against achievements of benchmarks, rather than judged by the processes employed to achieve them. If it is decided that execution is to be delivered by outside providers then the primary task of the public servant should not be to manage their contracts but rather to establish a partnership in which both parties subscribe to a common goal. Objectives need to be negotiated; the experience of the provider needs to be incorporated into the design of the program; and – a bold move this – public servants then need to move out of the way and give the third-party agents the freedom to undertake their business as they see best. Not all contracted providers should be expected to conform to prescriptive guidelines that require that they undertake their task in a similar manner. Indeed they should be actively encouraged to do things differently, tailoring programs to the needs of particular places, communities or individuals. This will enable public servants to evaluate and appraise on a continuous basis which approaches are most cost-effective in creating public value. The pursuit of performance-based outcomes involves far more than the oversight of a contractual transaction. It requires the capacity of both parties to learn by doing on the basis of direct experience and to respond flexibly to changing circumstances.

That exhortation to explore diverse approaches to the delivery of a government's objectives leads me to a second element of adaptivity, namely experimentation. Public servants should be authorised to undertake controlled trials on how best to deliver government ambitions, whether it is through regulating, behavioural 'nudging', providing payments or delivering services (directly or under contract). Demonstration projects undertaken in a controlled and systematic manner make it possible to trial different approaches. They depend on a culture of continuous learning. Innovative proposals can be started early, modified progressively and (on occasion) fail quickly. Feedback can inform modification. Successes can be fine-tuned, scaled up and rolled out more extensively.

Experimentation helps to achieve that most profound strategic intent, described by the redoubtable Peter Hennessy as "the reconciliation of government intentions with possibilities". This approach – in which mistakes are recognised as the mother of invention – seems to have worked for centuries with business entrepreneurs. The public sector needs to recognise a private sector truth, that if failing is unacceptable, learning is impossible. The sad fact is that most start-ups close down but the few that don't, can transform the world. Even within large, bureaucratically-structured corporations those people with the capacity to drive new approaches are extolled as 'intrapreneurs'. Every organisation needs those individuals who can 'think outside the box'. Certainly the not-for-profit sector is being transformed by 'social entrepreneurs', willing to explore new and financially sustainable ways of effecting community change.

Contrastingly, in the public sector the value of experimentation and ethos of entrepreneurship are too often regarded with disfavour. In government, the announcement of a pilot study frequently turns out to be simply a euphemistic excuse for the fact that insufficient funds have been provided for a larger program. Too rarely are demonstration projects embraced as the best means of evaluating different approaches and managing the necessary risks of innovation. It is time to encourage and celebrate public intrapreneurship. We need governments to authorise public servants to apply creativity to the design, funding and delivery of public policy.

This willingness to accept that mistakes are an inevitable part of the process of public innovation brings us to consider a third element of adaptive government. Public services must learn to become

more agile. They need to be more fleet of foot, not just in responding to immediate crises and changing circumstances, the daily staples of political life, but in planning and executing strategy for the longer-term future. They need to develop the ability to imagine new approaches and to learn continuously from testing them in a systematic manner. That task calls for effective project management. Equally important, it requires evaluation to be recognised as an ongoing process, integral to the modifications of approaches on-the-run, rather than being regarded as an end-of-process sign-off. We can leave the auditor to look backwards: the evaluator, like the risk manager, should be firmly focussed on the horizon ahead. We need a whole of government approach not just to the coordination of planning but to the sharing of failures. Such honesty can build success. War stories can become the narrative of agility. Learning from failure can keep public servants on their toes.

Finally, let us imagine what these qualities of adaptive governance require of public servants. In my view the demonstration of flexibility, experimentation and agility calls for a new form of leadership. It needs to be based on collaboration rather than control, driven by the creation of partnership rather than the exercise of unequal power. I am confident that public servants will retain their position at the centre of democratic governance. It is difficult to envisage governance structures in which public servants do not collect revenues, provide policy advice, draft legislation, regulate on behalf of the state and have responsibility for the delivery of payments and programs. Yet increasingly they will be required to fulfil that stewardship role within a public economy that is at least in part designed, delivered and even funded by the private and community sectors. Public servants will also need to be increasingly responsive to citizen needs. As the PM has recognised, in the digital age new opportunities have emerged to create new forms of deliberative democracy. Public servants should be actively exploring new ways for the state to engage the citizenry in making individual and collective decisions in the public realm. The public should be perceived as participants rather than looked upon merely as taxpayers or beneficiaries.

The fourth component of adaptive government, then, is for public servants to exhibit the leadership of facilitation. Institutionally, public services need to have more porous boundaries. Talent and expertise should be brought in from the outside to work in the public interest and, conversely, public administrators should be assisted to benefit from time in the private, community or academic sectors. Public servants need to work more closely with business and not-for-profit leaders - and engage with advocacy organisations, think-tanks and universities – so as to ensure that experience at all levels in all sectors can be harnessed to the design and implementation of government policy. New government programs need to be based not only on evidence but, equally important, on experience. Public servants, as facilitators, need to incorporate outside perspectives into their thinking. They are knowledge workers. They need to be confident that the ideas they place at the disposal of government are informed by the widest possible practical contact with the real world. On such a foundation, authenticity is built.

Adaptive governance is at its heart the application of system theory to the wicked intricacies of public policy. It ensures that the approach to strategic intent can be continuously adapted to changed circumstance and learned experience. It enables government to be responsive in finding the most appropriate means to tackle those problems for which there is no optimal or definitive solution. Through flexibility, experimentation, agility and facilitation public services can assess a variety of approaches to delivering the goals of the state - and do so in ways which engage the active participation of its citizens.

Let me conclude. This is not the speech that the Prime Minister would have given. Yet it is entirely apposite to employ the words he used to launch the Digital Transformation Office as the means to bring my address to an end. Government, Malcolm Turnbull said, “has an obligation to shrug off the conservative shackles and innovate its own operations and lead by example... [to] promote a flexible and nimble culture – one that values principles and framework over rigid rules that are more likely to stifle innovation than foster it”. I’m happy to agree with that argument. To my ear, at least, it

sounds like a testament to the need for adaptive government. Unsurprisingly, I'll happily endorse a vision that might be that of the Prime Minister.

## References

This is the edited text of my Paterson Oration delivered on 1 August 2016.

Since writing my *Learning from Failure* report, and applying the concept of adaptability to governance, I have enjoyed the opportunity to peruse some articles that have previously used variations of the term. There are a few authors who focus on adaptive governance as a syllabus-based approach to ecological sustainability e.g. Amanda Lynch, "Adaptive governance: how and why does government policy change", ECOS, Dec-Jan 2009, p.148 at [www.ecomagazine.com](http://www.ecomagazine.com)>. Other authors refer to the application of resilience theory to a complex social – ecological environment e.g. Andra I. Milcu, "From government to governance and onward to adaptive governance", 12 December 2011, at [ideas4sustainability.wordpress.com](http://ideas4sustainability.wordpress.com)>.

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