

CSIRO's Initial Response to the Review of CSIRO's Science Prioritisation and Implementation Process

Context

In May 2016, CSIRO commissioned Ernst & Young (EY) to undertake an independent review of its Science Prioritisation and Implementation (SPI) process, including the governance, process, capability, and organisational culture that contributed to the planning, management, delivery and communication of the 2015-16 investment decisions. The review process undertaken by EY involved stakeholder consultation and review of relevant documentation related to or stemming from the SPI process. Observations and recommendations were then developed and validated by EY through a series of workshops with key CSIRO stakeholders.

The EY report, *Review of CSIRO's Science Prioritisation and Implementation Process*, was provided to CSIRO staff on 9 September 2016. CSIRO has since reviewed and accepted all recommendations contained in the report.

This document contains the observations and recommendations from EY's report and includes CSIRO's initial response to individual recommendations. This document will be periodically updated to keep CSIRO staff informed on progress actioning these recommendations.

CSIRO's Initial Response

Note: The Chief Executive will assign an accountable lead for actioning responses to each recommendation, and it is intended that the accountable lead will work with others. Many of the responses will require execution through a broader engagement process and input from the Executive Team, CSIRO Leadership Team (CLT) and/or other leaders.

1. Governance

Observation:

The Executive Team (ET) should have tailored its operating practices to cater for the varied background and management styles of the Board, and CLT. Not performing this tailoring limited the ET's ability to effectively govern the new elements of the SPI process and manage events that subsequently unfolded as evidenced via stakeholder consultations.

Recommendation 1A: Strengthen and better communicate the existing governance practices, including accountabilities, responsibilities, and sponsorship needed to support all phases of the SPI.

Action:

- 1) Continue the review and simplification of the policy and procedures within the CSIRO Governance Framework as they relate to the science investment and implementation processes.
- 2) Review and as required make changes to the CSIRO Governance Charters (such as Board, ET, SICOM) to ensure clarity in role and decision making.

Timeframe: This work has commenced with an expected completion date of December 2016.

Recommendation 1B: Reassess the existing organisational structure and practices (including lines of reporting and distribution of corporate functions) to provide appropriate management and coordination to all phases of the SPI process.

Action: The Chief Executive will continue to assess the appropriateness and effectiveness of the current organisation structure and practices and implement changes accordingly, including lines of reporting and distribution of enterprise support services.

Timeframe: Consultation will continue with any changes to Executive structure and/or responsibilities to be confirmed and completed by the end of 2016.

2. Process

Observation:

Although elements of the SPI process were robust and were successfully navigated by most BUs, it could have been better defined and documented from the outset. The intent was to allow greater input and empowerment for BU Leaders into the decision-making process. However, this assumed a level of organisational maturity that was not universally present, resulting in inconsistent understanding and application of the SPI process amongst the CLT. In addition, the Science Prioritisation phase evolved during the period which led to other new activities (i.e. Deep Dives), resulting in inconsistent expectations and/or approaches taken by different BUs.

Recommendation 2A: Update and improve the documentation of policies, processes and procedures that underpin the SPI for greater clarity of purpose and consistency of approach (e.g. protocols around recording decisions), and ensure they are widely communicated and commonly understood.

Action: Working with relevant functional General Managers and the Business Unit leaders, define and update process, policy and procedures and associated documentation for the integrated elements of:

- 1) Enterprise level Investment decision making;
- 2) Integration of enterprise level decision making with business unit and project decision-making (*embedded through SROM*);
- 3) Implication assessment (closely aligned to Risk Assessment recommendation 3A); and
- 4) Delivery (closely aligned to Risk Assessment and Change Management recommendations).

Timeframe: Process (including key decision points and linkages to inter-related assessment frameworks) will be documented and communicated by end of October 2016. Full policy and procedures available by March 2017. SROM system development stages and timing to be confirmed.

3. Risk Management

Observation:

Risks were identified but not formally assessed and documented during the Science Prioritisation phase (except in the October BU plans); were not considered during the Implication Assessment phase; and consequently risk management was mostly ad hoc and reactive during the Delivery phase. There was insufficient discipline in applying CSIRO's existing Risk Management Framework throughout the SPI process. This resulted in the lack of consideration of risk priorities and adequate resourcing in response, consideration of which could have reduced the impacts that arose during implementation.

Recommendation 3A: Formally integrate CSIRO's existing Risk Management Framework into the SPI process so that risks are optimally identified, monitored and treated, and investment opportunities appropriately resourced, particularly at the Implication Assessment stage.

Action: Aligned with action outlined in 2A above, undertake work to integrate the Risk Management Framework into:

- a. the enterprise level science investment and implementation processes; and
- b. business unit/project processes via SROM.

Timeframe: Process (including key decision points and linkages to inter-related assessment frameworks) will be documented and communicated by end of October 2016. Full policy and procedures available by March 2017. SROM system development stages and timing to be confirmed.

Recommendation 3B: Improve existing risk management practice and culture (through, for example, training and assigning risk owners) to ensure that, at each of the Investment, ET and BU levels, decisions are made and resourced that are risk-based and proportionate, using the best capability (including the CSIRO risk team) and internal and external information.

Action:

1. Engage with CLT to increase awareness of, and capability for integrating risk-based decision making into day-to-day activities; and
2. Integrated risk management practices into existing processes and online systems (see recommendation 2A above), and in-house training (such as leadership courses, induction etc).

Timeframe:

1. Completed by November 2016.
2. Alignment with recommendation 2A - March 2017; integration with new and existing training courses is ongoing.

4. Change Management

Observation:

Given the magnitude and impact of the changes, there should have been greater support to enable BU Leaders to effectively manage the change process via a common platform. An individualised BU change management approach was deliberately emphasised over a structured, co-ordinated delivery of enterprise-wide change. The intent was to empower BU Leaders in decision-making and to accommodate the unique culture and communication forums of individual BUs. However, this led to varied levels of engagement and different outcomes amongst BUs.

Recommendation 4A: Ensure that an enterprise-wide view of change management is undertaken for any change affecting either a significant part of, or the whole organisation (as determined by, for example, pre-determined thresholds).

Action:

1. Develop framework for guiding the application of change management including risk-based 'threshold's to trigger business unit or enterprise wide change response; and
2. Incorporate assessment of change management into processes, procedures relating to investment decision-making, implication assessment and delivery planning (see recommendation 2A above).

Timeframe: Process (including key decision points and linkages to inter-related assessment frameworks) will be documented and communicated by end of November 2016. Full policy and/or procedures available by March 2017. SROM system development stages and timing to be confirmed.

Recommendation 4B: Ensure timely engagement and responsiveness of the relevant Corporate BUs (e.g. Organisational Development & Change) at the start of the Implication Assessment phase; and especially when proposed changes are likely to have a material impact on CSIRO's staff or reputation.

Action: This recommendation will be addressed through the action to recommendations 2A and 4A above.

Timeframe: Process (including key decision points and linkages to inter-related assessment frameworks) will be documented and communicated by end of November 2016. Full policy and procedures available by March 2017. SROM system development stages and timing to be confirmed.

Recommendation 4C: Establish protocols and guidance principles for the development of all staff messaging and communications, informed by approaches that have proven effective in the past. Protocols and guidance should be in relation to topics such as communicating the drivers of change, and communicating preliminary and final decisions.

Action: As part of a refreshed Communications Strategy, develop and integrate relevant communication protocols and guidance on key internal communications.

Timeframe: Protocols and guidance updated and communicated by March 2017.

5. External Stakeholder Engagement

Observation:

Given that its activities impact on many external stakeholders, CSIRO should have engaged external stakeholders early to take input and inform the decision first; and then subsequently to signal the direction ET was minded to take, in order to rally support, and when necessary, explain potential funding change decisions.

In this instance, such discussions would have increased stakeholders' confidence that decisions were well informed; and alerted CSIRO to the potential risks and implications of their consideration of investment decisions in the SPI process.

As a result, some external stakeholders (e.g. government partners) felt they could have been better engaged during the process, especially when decisions directly affected their investments and projects.

It should be noted that CSIRO's capacity for such early engagement in this instance was somewhat restricted by the compressed timeframe resulting from the second round of BU presentations to ET (i.e. the Deep Dives) and the leaking of confidential discussions.

Recommendation 5A: Continue the work started to develop an external stakeholder engagement strategy (ESES) - including target stakeholder groups and protocols for engagement - to build trust in external stakeholders and support robust decisions or decision-making.

Action:

1. Continue with the planned scoping and development of a CSIRO CRM system
2. Further develop the CRM framework for key stakeholder groups (including BU Advisory Committees and Government – refer also to recommendation 5B below) and integrate with the implications assessment process including accountabilities and responsibilities for relationship leads. This action is also linked to the response to 2A above.

Timeframe:

1. SROM system development stages and timing to be confirmed.
2. Completed by March 2017.

Recommendation 5B: Improve the understanding of the CLT in engaging Ministers, external government officials and other key external stakeholders, including through strengthening CSIRO's senior leadership presence in Canberra.

Action: Continue the design of a program to support CLT with external engagement and engage Business Unit leadership teams to improve awareness and understanding of the co-ordinated approach to government. This will also be considered and addressed as part of the action for 1B above.

Timeframe: Completed by December 2016

6. Culture

Observation:

Some staff (especially those from particularly sensitive areas of the organisation) indicated the ET and CLT could have been more transparent early on in relation to the decision-making deliberations and drivers of change; and further considered feedback during the SPI process, and vice versa.

Apparent disregard of the internal CSIRO code of conduct and public comments policy by some staff, further amplified the issues that emerged during the SPI process. This significantly hampered CSIRO's ability to engage internally.

Recommendation 6A: Develop a long-term strategy to change aspects of CSIRO's culture by resetting expectations and reinforcing behaviours that enable greater trust and transparency, linking in with the existing Culture Alignment Program.

Action: Review and update CSIRO's Cultural Alignment program based on CSIRO 2020 objectives and feedback received through this report, staff surveys and assessment of better practice organisations.
Timeframe: The update will be discussed at the September 2016 Executive Team meeting and considered at the December 2016 Board meeting with ongoing implementation.

Recommendation 6B: Increase awareness and enforce a greater emphasis on CSIRO's code of conduct and the values and behaviours expected of CSIRO staff.

Action: Training for all staff and leaders supported by leader led team discussions on behaviours was launched in June 2016. Targeted support for leaders to respond to local issues is in place. Consultation and review of the Code of Conduct to be undertaken. A Public Comment Procedure awareness program to be developed.

Timeframe: In progress, with training to be completed by the end of September 2016. Code of Conduct review completed by March 2017. Public Comment Procedure awareness program completed by March 2017.

7. Crisis Management

Observation:

CSIRO's initial response to the issues that emerged following the 4 February 2016 all-staff announcement did not utilise its Crisis Management Framework effectively. An ad-hoc issues response team was established instead. However, without the required guidance and relevant experience (including media management), the team was unable to immediately mitigate or reduce the impact of the issues. This resulted in issues being drawn out even further amongst staff, stakeholders and/or the media.

Recommendation 7A: Ensure that the most appropriate levels of the Crisis Management Framework (CMF) are invoked at the Implication Assessment stage, and when announcing major changes to the organisation or a number of BUs.

Action: Confirm approach to invoking the Crisis Management Framework at the Implication Assessment stage and provide training to CLT on both the CMF and the levels at which particular states are activated.
Timeframe: Completed by November 2016.

Recommendation 7B: Improve the understanding of the CLT on the specific triggers that warrant invoking CSIRO's CMF through, for example, training and operational crisis simulation exercises.

Action: In addition to recommendation 7A, provide training to the CLT on the triggers that warrant invoking CSIRO's CMF. Continue CSIRO's application of crisis simulation exercises.

Timeframe: Training to CLT completed by November 2016.