**BUILDING INSTITUTIONAL MEMORY: Applying the McKinsey Approach**

Submission to the Independent Review of the Australian Public Service

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*Adopting best-practice private sector methods for preserving corporate memory would protect the Australian Public Service’s most valuable asset in an era of higher staff turnover and greater job mobility.*

The Australian Public Service’s greatest asset is the institutional memory of its staff, built up over many years of service by experienced officers. Long-serving public servants draw on past experiences to guide governments through difficult periods and policy challenges, advising governments—especially new ministers—on how to avoid some of the mistakes of their predecessors.

Institutional memory is especially valuable when public servants and elected officials face circumstances similar to those encountered by their bureaucratic and political predecessors. The lessons of past successes and failures are immensely valuable in informing both policy design and implementation.

Former Secretary of the Treasury and current Chair of the National Australia Bank Dr Ken Henry offers a prime example of institutional memory informing the Treasury’s response to the 2009 global financial crisis:

I had lived through and seen close-hand the recession of the early 1990s and the way in which that was handled in policy terms, particularly in fiscal policy terms. And those, that experience was seared on my brain I think I would say. And I was very keen that we not have a repeat performance of that. In fact my recollection of that period of the early 1990s recession is that Treasury stood on the sidelines and as Secretary of the Treasury I was not going to stand on the sidelines.[[1]](#footnote-1)

While Dr Henry goes on to explain how the Treasury applied that experience of the early 1990s recession through a series of hypothetical crisis ‘war gaming’ exercises and discussions among the most senior Treasury officials, the APS should consider more consistent and universal strategies for harnessing institutional memory as well.

International management consulting firm McKinsey and Co. has developed an innovative way of deepening their corporate memory and ensuring insights from individual cases are not lost with staff turnover. The firm’s global corporate intranet provides staff with access to a vast range of knowledge documents spanning past case studies and current sectoral trends and perspectives. These documents are carefully sanitised to ensure client confidentiality and the protection of sensitive private data, which is particularly crucial given the possibility consultants may end up advising competitors of previous clients.

Individual consultants are designated as the ‘owner’ of a particular knowledge document, partly to avoid conflicts of interest by ensuring that consultants who wish to access case studies must gain permission from the document owner.

As part of their people development model, McKinsey consultants are expected to create these documents to codify what they have learned – something increasingly important as staff become more senior and are expected to possess a platform of expertise. This approach rests more on cultural change than technological change—production of these knowledge documents is an expected part of an employee’s job, and managers must ensure staff set aside the time within the work day to concentrate on these matters, so that codifying corporate knowledge does not become an afterthought.

There may be value in leveraging a similar model to preserve corporate memory in the APS during a period of (relatively) high turnover, attrition, ASL limits, regional decentralisation and demographic change with the retirement of experienced ‘Baby Boomer’ management and subject matter expertise.

The Independent Review Panel should consider recommending all APS agencies adopt a similar practice harmonised across the APS, with either the Australian Public Service Commission or Digital Transformation Agency tasked with the creation of a portal to access a digital database or ‘library’ of knowledge documents which can be easily accessed from the corporate intranets of each government agency. While agencies with particularly sensitive information, such as our intelligence and national security agencies, may warrant their own individual separate databases, the general principle should involve the creation of a larger APS-wide database, accessible to staff across multiple agencies, so that institutional memory is not ‘siloed’ into individual agencies but is accessible to staff addressing common problems nomatter their home agency. The Panel should also consider the importance of protecting these knowledge documents against Freedom of Information (FOI) requests for a certain period of time in order to protect confidentiality and encourage frank and fearless reflections in the content of these documents. Much like Cabinet documents, these knowledge documents should be made available under FOI but only after a set period of time.

1. Henry 2012, interview with the Australian Broadcasting Corporation, Tuesday 15 May 2012. Transcript available at <http://www.abc.net.au/7.30/ken-henry-for-web/4013096> [↑](#footnote-ref-1)