

## **Department of the Prime Minister and Cabinet**

### **ICT Procurement Taskforce – Consultation Paper**

31 January 2017

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# Overview

1. *How can the Australian Government make better use of ICT procurement to increase innovation in government services? What are the incremental and more transformational changes that should be made?*

We understand the key objectives of the ICT procurement taskforce are to make it easier and cheaper for ICT businesses to contract with the Australian Government and to deliver better government services at a lower cost. As procurement is the key gateway for the digital technology sector to provide innovative solutions to government, the Australian Government requires procurement to be as open and simple as possible so that new technologies can be deployed quickly to improve government service delivery. We have identified several incremental (short-term – next 12 months) and more transformational (mid to long-term - 12-36 months) changes that present significant opportunities to dramatically improve government services and deliver on the digital transformation of government. These opportunities are based on the principle of developing true partnerships with industry based on meaningful engagement through co-design and collaboration. The Australian Government must encourage, foster and cultivate these partnerships with a range of industry players ranging from global vendors, ICT service providers, small-medium enterprises, academia and research institutions and sole-traders/entrepreneurs.

## Opportunities for incremental changes

1. ***Openly encourage unsolicited proposals to address the Australian Government's key service delivery business issues and projects*** – this could include sponsoring hack-a-thons, crowd sourcing projects for specific projects or opportunities. The Australian Government should show-case and spotlight examples of successful unsolicited proposal received from industry to demonstrate openness and encourage competition.
2. ***Establish bi-annual forums with industry to discuss business problems, digital strategies and plans*** – Forums could be focused on Whole-of-Government or at an agency/portfolio level. Forums would provide industry with an opportunity to access privileged information and more clearly understand intent and directions being pursued by the Australian Government. In addition, industry would be able to ask questions and engage in a productive dialogue to identify innovation opportunities.
3. ***Rapidly upskill all APS ICT Procurement staff with a tailored and standardised training curriculum*** – Train and skill staff in how to identify and assess innovation opportunities including how to engage with industry, how to document approach to market documentation that encourages innovation and how to apply new assessment criteria and scoring to responses to ensure innovation is adequately assessed.

## Opportunities for transformational changes

1. ***Create Whole-of-Government digital innovation physical environment*** – The establishment of a dedicated physical premise would signal a purposeful intent and commitment to engage with industry to explore digital innovation opportunities. The physical environment could leverage the design and ideas of other similar spaces as adopted by Commonwealth Bank, NAB and Deloitte.
2. ***Develop an annual digital innovation fund and allocate funding to selected agencies to partner with industry to build and deliver innovative solutions*** – Digital innovation proposals seeking access to the fund would be assessed on a differently weighted criteria to the current 2-pass ICT process and would be heavily based on solutions which deliver tangible benefits including better government services at a lower cost. Proposals which are based on agencies partnering with industry to build whole-of-government innovative solutions would be favourably assessed in contrast to single agency proposals.
3. ***Build an ICT procurement centre of excellence (CoE)*** – A CoE for ICT Procurement would foster skills, encourage APS peer collaboration and establish a career model for APS staff to specialise in ICT Procurement as a discipline. ICT Procurement staff would develop a sense of identity, professionalism and community with the ability to more seamlessly work across multiple agencies via a virtual resource pool.

2. *Has there been a time that you tried to provide innovative ICT solutions to the Australian Government and failed? Please provide examples about what happened, why, and what you think the impact was on government.*

We have identified two examples of where we have attempted to explore innovative ICT solutions with the Australian Government. We have de-identified the specific agencies, project and stakeholders involved for confidentiality purposes.

### **Example 1 – Risk and Reward Proposition**

We were engaged by an agency to develop a business case to identify the costs/benefits associated with transitioning all simple internal and external interactions from high-cost channels (face-face, phone) to lower-cost self-service and digitally enabled channels. The business case included a multi-year programme of work to implement specific projects and capabilities to enable the channel shift to occur including the build and development of digital capabilities (web, omni-channel analytics, click to chat), PMO and change management.

We offered to explore a risk and reward proposition whereby we would place a % of our fees at risk for the build and development of the digital capabilities based on the realisation of the desired channel shift once the capabilities were placed into operation. The agency was open to discuss the proposition but quickly realised it would be unable to progress the proposition as it did not have the requisite knowledge or support from their respective ICT Procurement area to enable the procurement. A risk and reward proposition would encourage an accelerated time-frame for the projects through a co-ordinated and 'fit-for-purpose' capability as we would have been incentivised to recover our proposed fees at risk by helping the agency ultimately achieving their desired outcome (e.g. channel shift).

The impact to Government in this example is that a traditional approach to the build and development of the digital capabilities was taken and the digital capabilities were built and delivered by a combination of internal and contracted resources over a protracted time-frame. The agency has only partially achieved its desired channel shift with no option for remedy with the contracted resources.

### **Example 2 – Strategic Partnering Proposition**

An agency was embarking on a transformation programme and was investigating different resourcing model options to staff the required projects to implement the programme. These options ranged from fully insourced (e.g. only using existing APS staff to be re-directed from existing work) to fully outsourced (e.g. forming a strategic partnership with an appropriately experienced and qualified entity).

We offered to explore a strategic partnership option with the agency which would enable the programme to be delivered 12 months quicker than the other resource options based on our ability to surge and share resources and control the staffing of the programme.

The agency decided to implement the programme using a hybrid option which involved the use of contractors to perform the PMO and the use of a strategic partner and internal resources to perform business analysis, design and change management. This decision was based on primarily assessing the inputs (e.g. the cost of each role in the programme based on a rate-card), and not on the desired outputs or benefits which could be delivered through the programme if the programme could be accelerated.

The impact to Government in this example is that the programme expended similar amounts of resourcing and budgeted expenditure on delivering the programme to managing the programme. The PMO was effectively over-resourced in proportion to the number of projects and overall complexity of the programme. The programme was also delivered over a protracted time-frame which represented an opportunity cost for the realisation of benefits.

# Snapshot of Procurement

### *3. In what areas of the Australian Government's ICT procurement are the biggest opportunities for innovative technologies?*

Based on the information outlined in the DPMC ICT Procurement Consultation Paper (November 2016), expenditure on applications and infrastructure accounts for the majority of government ICT spending (based on 2014-2015 data). Therefore, given the size of current expenditure, these technical areas represent a significant opportunity for innovative technologies to dramatically improve government services and deliver on the digital transformation of government. The Departments of Defence, Human Services, Immigration and Border Protection, and the Australian Taxation Office spend the most on ICT. In 2014-15, expenditure by these agencies accounted for 64 per cent (around \$3.6 billion) of the total \$5.6 billion ICT spend. However, it should be noted that digital innovation and opportunities should not be limited to the largest agencies. The up-take and benefits realised by agencies through digital cloud innovation initiatives such as GovCMS highlight the untapped potential of benefits with all sizes of agencies.

We also believe the following business functions and areas also represent opportunities for innovative technologies to be explored based on the volume of transactions, number of current APS staff employed and the overall significance to the machinery of Government operations (noting that these areas may overlap with applications and infrastructure that support them):

- **Government-to-Citizen (G2C)** – all areas which support channels and interactions between agencies and citizens including online/portals, mobile/apps, phone, face-face et al.
- **Government-to-Business (G2B)** – all areas which support channels and interactions between agencies and business including online/portals, mobile/apps, phone et al.
- **Government Back-office** – all areas which support back-office and support activities which are either repetitive and/or non-core to the primary business of the agency and Government.

Based on the areas identified above, we have identified a range of opportunities for digital innovation technologies. These opportunities may be applicable to one or more of the areas identified above.

- **Robotic process automation:** Robotic Process Automation (RPA) mimics human interactions with software applications (e.g. bots), to automate repetitive, rule-based processes. RPA provides organisations with solutions that can be implemented both quickly and in a cost effective manner without large IT integration effort
- **Artificial Intelligence (AI):** AI includes leveraging natural language processing, hypothesis generation and evaluation capabilities. It can be used to answer knowledge based questions, conduct document research or advise on compliance enquiries to mimic human judgement.
- **Virtual and Augmented Reality (V&AR):** V&AR provides the capability to trial and interact in a virtual space. It includes a computer-generated simulation of a three-dimensional image or environment that can be interacted with in a seemingly real or physical way by a person using special electronic equipment, such as a helmet with a screen inside or gloves fitted with sensors.
- **Advanced Visualisation:** Includes interactive media and/or screens which represent data-sets using models and/or advanced algorithms to identify trends, patterns and insight.

4. *What are the key barriers to getting innovative technologies, such as cloud services, into the Australian Government?*

Based on our experience, we have identified several key barriers to getting innovative technologies into the Australian Government and realising their mainstream adoption and benefits to enable improved government services and to deliver on the digital transformation of government. It should be noted that several of these barriers can be overcome by adopting the incremental and transformational opportunity recommendations highlighted in this paper.

- **Skills shortages** – There are significant shortages of APS staff with the appropriate abilities, skills and competencies to perform ICT Procurement activities in the capacity necessary to support the key opportunities highlighted in this paper. Whilst procurement is a core business capability for government agencies and procurement and contracting is identified as an essential capability by the Australian Public Service Leadership and Core Skills Strategy, our experience indicates that agencies often struggle to attract and retain suitably skilled ICT Procurement staff across the APS necessary to sustain the volume of work required to deliver on the digital transformation of government.
- **Business complexity and legacy environments** – Many agencies have established technical environments and systems which mirror the complexity of the legislation, policy and operations of the agencies they support. This complexity creates challenges when exploring digital innovation opportunities as access to these environments is limited and business rules, data elements and system components are not easily de-coupled or able to be exposed to new digital technologies, interfaces or capabilities.
- **Security and privacy** – Several vendors provision their digital capabilities through cloud-based infrastructure which is not always appropriately security certified and/or hosted in Australia. This creates challenges and concerns over data access, confidentiality, compliance with the ISM, privacy and data sovereignty and limits the ability of the vendors to demonstrate the merits and potential benefits of their respective capabilities to enable improved government services.
- **Individual funding models and decision processes** – Most agencies operate individual annual CAPEX and OPEX budgets which make multi-year investments challenging including the ability to secure funding up-front to develop capability and then re-invest projected savings into capability development. Additionally, investment decisions on digital innovation opportunities are typically made within individual agency boundaries with limited examples of agencies pooling their respective funding and/or delivering whole-of-government digital capabilities (except for 2-pass ICT NPP's).

5. *What are the key barriers for SMEs and startups in the Australian Government's ICT procurement process?*

SME's and startups looking to participate in the Australian Government ICT environment do face a number of challenges. In some cases, these challenges are peculiar to the way in which departments and agencies have implemented the Commonwealth Procurement Rules, whilst in other cases the challenges stem from the competitive realities of tendering for Commonwealth contracts.

Historically, the Commonwealth has accepted the view that value for money is enhanced by broadening the competitive base. The new capabilities and innovations which SMEs and startups offer does challenge this view as orthodox. Practically, Deloitte has observed a number of barriers which apply to SME's and startups:

**Commonwealth Panel: Reliance, Acceptance and Renewal**

- Once established, the typical arrangements for Government ICT panels see them run for a defined period of time with limited opportunities to accept new members. Arbitrary rules regarding panel acceptance and renewal favour established vendors and participants and prolong the ability for SMEs and startups to present their capabilities and innovations. As a consequence, SMEs and startups often participate as part of larger consortia, or worse, simply miss out on opportunities altogether.
- Panels limit advertising. Where departments use existing panels to advertise new work, this often compounds the abovementioned problem as SMEs and startups are obscured from being made aware that opportunities exist. The practical, but unintended consequence, of advertising via panels is that it may inhibit SMEs and startups from accurately assessing the feasibility/merits/attractiveness of their innovations to the Commonwealth.

**Distinct Channels for Procuring ICT for Rapid Development Prototyping**

- The practices and methods adopted by ICT practitioners are constantly changing and being added to. For example, we have seen the agile methods championed by the Digital Transformation Agency (DTA) slowly be adopted by other agencies when undertaking a range of diverse ICT tasks.
- However, very few agencies make the distinction between conventional and emergent activities. This lack of a distinction flows over to ICT procurement processes too.
- For example, under reforms made in response to the 2016 White Paper Defence has enhanced and continues to place reliance on the Rapid Prototyping, Development and Evaluation Program as a unique and rapid way in which new technologies and ideas can be tested. For SMEs and startups, this is a legitimate way in which Defence can be exposed to their capabilities and innovations. However, very few other agencies have comparable, distinct channels with which to engage with the SME and startup community

**Competitive Behaviour**

- For particularly large tenders, established providers typically act defensively to new entrants, including SMEs and startups, and will respond accordingly
- On occasion, this includes creating sub-contracting arrangements that are overly restrictive in relation to commercial terms, restraint of future activities and ownership of IP
- In part, Deloitte has evaluated a number of tenders where the Commonwealth has included evaluation criteria weighted towards 'Innovation' as well as 'Demonstrated Experience'. This step alone is a signal to tenderers that new capabilities and innovation are mandatory, and not merely optional in distinguishing themselves. In this area tenderers can continue to be incentivised to explore opportunities for SMEs and startups.

# Rules

## *6. Are the Australian Government's procurement rules easily accessible, easy to understand and navigate?*

In the context of the audience and purpose of the Commonwealth Procurement Rules (CPRs), it is our view that the CPRs are easy to access, understand and navigate. The CPRs are designed to provide Commonwealth agencies with a flexible, principle based framework which governs how procurement is undertaken and to ensure that agencies adopt good practices and comply with both Australian and international obligations.

The CPRs are easily accessible through an online search for the digital format (and also traditional documented format) providing for easy navigation. Simple key word searches such as 'Australian Government procurement' or 'Commonwealth procurement' provides direct access to the CPRs.

Notwithstanding that the CPRs are a legislative instrument under the PGPA Act, the CPRs are relatively easy to understand. Information is presented in a clear and concise manner, and is scoped in a manner that a Commonwealth employee undertaking a procurement can interpret. Unlike other procurement rules, such as state based rules, the CPRs exclude guidelines and templates minimising information overload.

Whilst the CPRs serve their purpose of providing Commonwealth agencies with a flexible, principle based framework which governs how procurement is undertaken, we acknowledge that agency specific policies and rules relating to procurement are not standardised, and may not be easy to understand and navigate.

Noting that the CPRs provide the framework for agency specific procurement policies and procedures, we note that a lack of focus on digital and innovation in the CPRs, may impact agency procurement policies and procedures in this regard.

*7. How could the Australian Government's procurement rules and processes be improved to make it easier to offer innovative solutions to government?*

It is our view that the Australian Government's procurement rules and processes are not keeping up with innovative and digital procurement methods, and are not providing sufficient support to SMEs as incubators of innovation. A recent open opportunity industry seminar hosted by Innovation Australia identified that the traditional prescriptive tendering system is stifling innovation and favouring established players rather than SMEs that are more agile in delivery.

The three procurement methods currently prescribed by the CPRs (open tender, prequalified tender and limited tender) are guided by rules and exemptions for open procurements valued above the \$80,000 threshold. To encourage innovation through procurement, the rules and processes need to be revised to reflect more contemporary procurement methods and workflows, earlier engagement of suppliers through digital methods, and provide guidance on better practice panel utilisation to support SMEs and drive innovation.

### **Joint Solutioning**

- The procurement rules and processes focus on commodity based and traditional procurement methods where the buyer determines requirements and takes them to market. Such methods are not always suited to more complex ICT solution based requirements. IT requirements or vision can be unclear in government where alternative procurement methods such as Joint Solutioning can be adopted to assist agencies in co-designing proposed IT solutions during the procurement process. These types of procurement methods can enable more accurate and creative responses from selected vendors, help develop and cultivate strong relationships through more intensive market engagement, increase value for money in procuring the right fit solution/outcome and encourage innovation from vendors. Incorporating guidelines and processes regarding Joint Solution will help promote the use of this types of procurement method within government.

### **Digital facilitates SME involvement and innovation**

- In addition to the procurement methods currently prescribed by the CPRs, digital procurement methods utilising a more flexible approach to solicit responses from suppliers should be incorporated in procurement workflows for procurements below the \$80,000 threshold and on panels.
- The Digital Marketplace established by the Australian Government provides a non-traditional method of procurement that is not reflected in the CPRs. This new procurement method reduces the number of hoops potential suppliers have to go through, increasing the opportunity for more businesses to apply for government digital work, in particular SMEs and start-ups that may not have resources to respond to traditional request for proposals and have the capacity to drive innovation.
- Digital portals such as the Digital Marketplace provide an open, transparent and auditable avenue to facilitate value for money in accordance with CPRs and in consideration of probity requirements.

### **Earlier engagement of suppliers through digital methods**

- Agencies are required to draw the market's early attention to potential procurement opportunities through an annual procurement plan on Austender, however the scope for discussion and market interaction is limited. There is an opportunity for agencies to gather market intelligence before any formal approach to market through blogs and social media. The Department of Finance is currently the only agency to use a procurement blog to interact with suppliers in such capacity.
- In addition to developing market intelligence, the benefits of early market engagement include opportunity to refine requirements, identify the optimal approach to market strategy, and provides an avenue for unsolicited and innovative proposals not bound by stringent technical requirements. Digital portals such as blogs provide an open, transparent and traceable avenue to interact with the market in accordance with probity requirements.

### **Guidelines are required for panel utilisation**

- The statistics provided in this paper in relation to SME contract by value, Deloitte data gathered on whole of government ICT panels, and a performance audit conducted by the Australian National Audit Office (ANAO) in 2011/12 on the establishment and use of procurement panels demonstrate a reliance on larger suppliers rather than a focus on competition to support the achievement of value for money, particularly for higher value procurements on panels.
- The CPRs instruct the reporting of the original procurement method (open tender) when reporting procurements derived from panels, indicating that a competitive process has been undertaken in each occasion, when in reality only one or a very limited number of suppliers may be approached.
- Guidelines stipulating that a minimum of three suppliers including an SME should be considered to encourage competition and innovation.
- Moreover and as demonstrated by the Department of Finance through the administration of the Cloud Services panel, guidelines should be provided to refresh major panels on an annual basis to allow for new service providers and offerings to be considered.

8. *What rules, including any security requirements, limit the Australian Government's use of cloud services?*

We understand the plethora of advice and guides that are available to Australian Government entities considering the use of cloud services. Our experience in the development of innovative solutions provides us with the working knowledge of the international and national technology based standards definitions and strategies employed by cloud service providers (CSP).

Australian Government entities evaluating and subsequently migrating to a cloud based environment are supported by comprehensive suites of publications developed by various Australian Government agencies with specific responsibilities of the overall governance and management of cloud based services. Employing the US Government's National Institute of Standards and Technology (NIST) Special Publication 800-145 to define the elements and attributes of Cloud Computing, the controls and considerations detailed in these documents outline controls or limitations on the selection of CSPs and individual cloud solutions or models. These might include:

- Software as a Service (SaaS),
- Platform as a Service (PaaS),
- Infrastructure as a Service (IaaS), or
- Specialist Cloud Services (SCS) Service Model.

Agencies considering the use of a CSP must refer to the Department of Finance's Whole of Government Cloud Services Panel and the Certified Cloud Services List (CCSL) maintained by ASD to evaluate providers. Additionally it is the responsibility of the Agency seeking to employ a cloud based solution to conduct a business impact, security and a due diligence review of financial, privacy, data ownership, data sovereignty and legal risks outlined in the Information Security Manual (ISM).

The list below is not the exhaustive but serves to highlight the range of support but also controls and guidance an Agency would be required to comply with. Specific controls and limitations can be found in the following publications:

- 2016 ISM Controls, Outsourced General Information Technology Services, pg 18-20:  
[http://www.asd.gov.au/publications/Information\\_Security\\_Manual\\_2016\\_Controls.pdf](http://www.asd.gov.au/publications/Information_Security_Manual_2016_Controls.pdf)
- Australian Government's Risk management of outsourced ICT arrangements (including Cloud):  
<http://www.protectivesecurity.gov.au/informationsecurity/pages/RiskManagementOfOutsourcedICTArrangements-IncludingCloud.aspx>
- Australian Government Cloud Computing Policy – Smarter ICT Investment (Department of Finance). Whole-of-government policy and guidance on cloud computing, including detailed legal and financial considerations for contracts <http://www.finance.gov.au/sites/default/files/australian-government-cloud-computing-policy-3.pdf>
- Australian Government Information Security Manual – sets out the standard governing the security of Australian Government ICT systems: <http://www.asd.gov.au/infosec/ism/index.htm>
- 2015 Protective Security Policy Framework (PSPF) The Guide to securing personal information, Privacy Act : <https://www.oaic.gov.au/agencies-and-organisations/guides/guide-to-securing-personal-information>
- ASD Cloud Computing Security Considerations including both the Tenant and Provider Publications <https://www.asd.gov.au/publications/protect/cloud-security-providers.htm>

Based on our experience, we have understand that merely knowing where to find documents that outline the controls and limitations for Agencies looking to move to cloud solution will not necessarily provide an optimal or secure outcome. We understand that different agencies will have varying security requirements and responsibilities under the privacy act, for the storage of data etc. Australian Governments' direction to consider Cloud first unless security and privacy and security requirements needs also include the additional requirements for data sovereignty where the use of offshore CSPs or CSPs with offshore network and data storage asset are considered. We have experience in partnering with Government Agencies and Commercial

Organisations alike to ensure the controls and apparent limitations of the choice of potential CSPs and Cloud solutions do not constrain the enhancement and cost reduction of services to be provided while ensuring the compliance with the vast array of controls, requirements and limitations set out by Government for the use of cloud based solutions.

# Capabilities

## 9. *What capabilities does the Australian Government need to be able to take full advantage of digital technologies, now and in the future?*

The digital landscape continues to evolve pushing both private and public sector organisations to leverage technology and discover ways to innovate. This push requires leaders to focus on enabling both the organisation and foundational technology to support the new modes of working and tools, processes and ways of servicing the end customer. Categorized under two main areas we believe Government requires a keen focus on functional and non-functional areas across sectors to enable the use and benefit of known and future-thinking digital capabilities.

As at 2017, Deloitte's point of view is that the Australian Government is part way through developing all of the capabilities necessary for digital enablement. Those which are operating well include DTA's achievements in educating and training department staff in agile methods.

Those which are evolving include, for example, the spill over of cyber security Science & Technology research from Defence to other agencies with similar needs to protect government services. The evolving component is continuing to maximise 'Whole of Government' dividend from expenditure on digital.

For those capabilities that remain non-existent, maximising the adoption of digital technologies will require a mix of various methods which are focused on people, process or further systems investment. To take 'full advantage', Deloitte believe a focus on the following areas will enable implementations of new and a better use of existing digital technologies and frameworks:

- **Increased marketplace awareness for digital** – Whole of Government and specific agencies need to re-evaluate the digital marketplace to determine what technologies are required to deliver planned and future initiatives. Involved in this market scan is defining where Government will play and win versus where partnerships are required to deliver more value for constituent spend.
- **Agile procurement methods** – Digital transformation requires a new way of working – from procurement to project initiation, deployment and ongoing support and maintenance. Antiquated and lengthy procurement processes focused solely on financial metrics are no longer relevant and do not meet Government's needs. Agile procurement methods from partner qualification (panel), to vendor evaluation and selection need to focus on outcomes rather than process. Current procurement processes lead to lengthy delays rendering selected technologies, capabilities and processes either incomplete or obsolete by the time solutions enter market.
- **Focus on digital business** – Government must derive digital business models to monetise existing and planned services and data. This business and monetisation strategy will enable Government to provide 'public good' data in its current form meeting legislative and public requirements. However, the business strategy will identify areas where value-added services and innovative products and services can be delivered to the constituent market. Thus, making Government a front-runner in the digital economy rather than a laggard with a non-customer focus.
- **Revamped accreditation ('Accreditation as a Service')** – Security is paramount across Government, Defence and other Departments and Agencies. The accreditation process needs streamlining and clarification to enable new digital technologies and capabilities to make an immediate and lasting impact. Existing accreditation prohibits or at a minimum limits innovative and quick design to market activities. Accreditation services must facilitate clarity of capability, service level requirements, key performance indicators and escalation points for compliance. When in place the vendor marketplace providing Government services will increase and be seen as an attractive market to enter. Thus, an increase of innovative (small and large vendors alike) organisations pushing new technologies for the use by Government and its constituent base.

- **Increased partnering** – First Principles and other analysis demonstrate Government should access niche and known market players in productive partnering roles. Through this Government remains focused on core competencies while gaining best-practice skills and implementation experience for current and future capabilities. Agile procurement will support this objective but will require top-down support and focus on driving efficiencies (project timeline, cost, scope) rather than current business as usual metrics. Panels will require revamping and re-baselining to ensure that Departments and Agencies have clear process, qualified vendors, and efficient procurement processes to support the demands of new digital and business initiatives.
- **Centralised content management** – An ongoing emphasis on centralised content generation, curating, and maintenance remains. Content management capabilities drive required communications and ongoing interaction with constituents and thus must remain relevant and a core component of the digital strategy. Centralisation of products and capabilities will drive further efficiencies and expand Government capabilities in content generation and will support data management and analytics required to service constituents and drive monetisation (where applicable).
- **Extensible data analytics** – The reach of Government provides a unique opportunity to provide public good data efficiently and support legislative requirements compliance. In addition, the vast data assets under Government purview enable the definition and implementation of a digital business monetisation strategy. Only through expanding data collection, storage and analytics activities will these goals be achieved.
- **API-led integration** – The API economy is driving easy connectivity and integration. These capabilities will afford Departments the opportunity to create process efficiency via digital integration to legacy systems, offer legacy system access for data sharing and require new development to leverage modern and open standards. Though future-proofing is difficult, adoption of API design and build will support a sound foundational infrastructure from which Government and its partner can grow.

Deloitte's view on functional (outcomes supported by digital technology) and non-functional (enablers such as security and communications) capabilities will require the transformation of Departments and Agencies to drive organisational and human capital changes aligning the appropriately skilled resource with technology and process to drive constituent results. In addition to these, service design and business process changes will result creating more efficient means of work with an emphasis on Government resources completing core capabilities and aligning with vendors for niche skills or establishing partnering relationships to discover heightened "value for money" relationships.

Digital technology will continue to change the way Government works and provides services to business and citizens alike. A detailed evaluation of the digital strategy and where Government will play and what partnerships are required to win will be key to driving innovation and a constituent-centric view. Government Departments and Agencies have the opportunity to redefine their operating and business models to drive increased value and relevance of services. This requires foundational elements across functional and non-functional areas as a starting point.

Government to examine the entire means of completing tasks.

*10. In your experience, what are the biggest capability gaps in Australian Government ICT procurement? How could the Government better develop or access the capability required?*

Based on our experience, we have identified some of the biggest capability gaps in Australian Government ICT Procurement. This experience is informed by our recent work with a large agency where we defined the new operating model, skills, branch structure and framework for ICT strategic vendor relationship and management functions within the agency.

ICT Procurement capability gaps include the following:

- **Business engagement** – Front-door interface with the agency business lines including understanding and translating business needs and influencing the commercial and operational construct of the services delivered by the industry
- **Strategic relationship management** – Relationship management with the industry, including the ability to build and sustain relationships over time and negotiate and influence the industry to engage and innovate
- **Digital transformation** – Knowledge, awareness and understanding of digital innovation and transformation trends and capabilities and how these relate to opportunities and potential benefits to enable improved government services and to deliver on the digital transformation of government
- **Commercial management** – Understanding and in-principle awareness of contemporary cost structures, benefit profiles and innovative commercial propositions offered by industry and how these translate into commercial constructs.

Skills required across these capabilities include the following:

- **Leadership and Influence** – demonstrates superior relationship management, negotiation, and influencing skills; builds strong informal networks across the industry and agency
- **Portfolio management and account execution** – consistently managing stakeholder demands, meeting stakeholder expectations, and delivering on stakeholder priorities
- **Business acumen and strategy** – demonstrates strategic agility; anticipates and understands needs, issues, and opportunities in the industry and agency
- **Communication** – Demonstrates ability to communicate effectively regarding needs and issues across complex stakeholder environment.

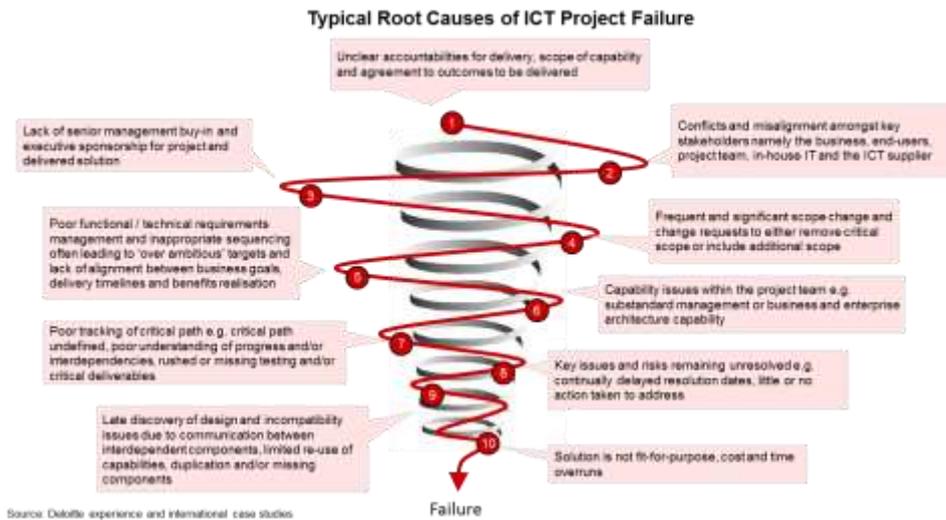
We recommend that the Australian Government could better develop or access the level of capability required by implementing a ICT Procurement CoE. The CoE could operate either as a shared virtual resource pool or dedicated centralised team enabled via a peer collaboration network.

The Australian Government could investigate the establishment of a public private partnership (PPP) and/or enter into a strategic relationship with an independent industry organisation to access this type and volume of ICT Procurement resources required to manage anticipated surges in demand of ICT Procurement resources based on timing of large projects or procurements.

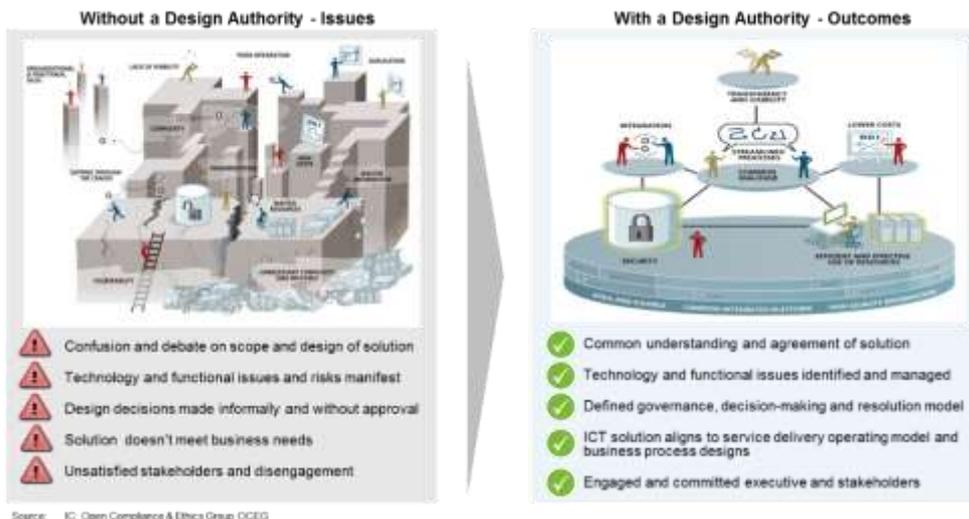
11. In your experience, has the governance approach used by agencies to manage large ICT projects enabled or inhibited the success of those projects?

Based on our experience, agencies adopt a variety of governance approaches to manage large ICT projects. Depending on the nature of the business problem, stakeholders involved, risk profile and technical capability being delivered, these projects have had varied success.

However, we have identified some common root causes of large ICT projects which require specific governance approaches to be followed:



Based our experience, agencies that establish strong governance on the business design, change management and technical integration aspects of the digital solution typically enable the success of these projects. One such successful approach is through a Design Authority governance forum including joint representation, accountability and decision rights from business, ICT and the vendor/supplier as illustrated in the figure below:



# Culture

12. How does culture influence the Australian Government's approach to ICT procurement? What sort of culture change would better support innovative ICT services and get more SME and startups working with the Government?

Culture is a system of values, beliefs, and behaviours that shapes how work gets done within an organisation. Deloitte believes that culture is a critical enabler of the Australian Government's strategic intent. While it starts with senior APS leaders, it must be sustained by staff.

## **This is backed by research telling us...**

"Mission-driven" companies have 30% higher levels of innovation and 40% higher levels of retention, and they tend to be first or second in their market segment" \*

"When culture and strategy are aligned, companies can show as much as a 50% differential in performance" \*\*

\* Source: Deloitte, Culture of purpose—Building business confidence; driving growth: 2014 core beliefs & culture survey, 2014.

\*\* Source: Hua, Jing and Jaitli, Ruchika, 2013

Leaders meet their business goals by defining a culture that will enable their business strategy. Where culture is not taken into account in a business function and strategy implementation, it will create unexpected outcomes – almost always to the detriment of productive outcomes. The need to manage prejudice, and continuation of undesired outcomes comes through active focus and attention to organisational culture.

Key market messages supported by Deloitte Research is presented through our publication released in January 2016 "*Take your corporate culture off cruise control*". Many messages in here are clearly relevant to ICT Procurement in the Australian Government, in particular:



- **Business Strategy Alignment** : Define a precise plan to drive targeted culture change and achieve desired business outcomes, and close gaps and reinforce business practices and processes;
- **Emotional Connections** : Recognise the importance of making emotional connections with the workforce and motivate employees to be invested in supporting the larger mission of the company; and
- **Active Management** : Adjust the levers that drive actions and performance and actively manage behavioural and process changes that have the most lasting impact on the bottom line

A cultural vision must be translated into specific behaviours across levels and functions and then integrated into talent and business processes to drive business outcomes

Examples of the influence of culture we have witnessed is summarised below:

- Over emphasis on compliance or adherence with procurement policy vs alternative views – fear of non-compliance and limited examples or case law
- Literal interpretation of value for money = proposals solely assessed on raw price without due consideration to the value of time and quality

- Risk adverse behaviours that lead to choosing solutions that have a track record, sometimes even poor track records or poor fit for purpose are considered lower risk to more innovative solutions
- Unconscious bias in decision making to a preferred solution outcomes which in turn does not present an open mind to alternatives
- Restrictive or over defined requirements that limit opportunities for innovation
- Myopic solutions that predetermine the outcome, again limiting innovation.

Without a focussed understanding of what misplaced bias has on the development and structure of market approaches, and in evaluation exercises. Cultural awareness and calling out this from an independent viewpoint is often the only way to rewire this thinking – much like a probity process is designed to align thinking, diverse thinking and cultural considerations also limit effective procurement decisions.

*13. What experience have you had with 'partnering' with the Australian Government and what is required to do it better?*

We have identified several examples of our experience in 'partnering' with the Australian Government. These examples include benefits and opportunities for improvement for both the industry and the Australian Government. For the purposes of these examples, we define 'partnering' in accordance with the following principles:

- **Strategic and long-term relationship** – engagement is based on a strategic, long-term relationship based trust, respect and track record of achievement together
- **Mutual investment** – both parties mutually invest time, intellectual property and resources for the benefit of the project or engagement. Parties actively share information, privileged assets and research
- **Joint outcomes** – both parties agree and subscribe to the success criteria for the project or engagement and work collaboratively to achieve the outcomes.

It is important to note that we define cultural elements within a broader change adoption process as there are many interdependences upon an overall framework. We do not believe that culture is a consideration to be managed in isolation from a broader context. That being the base, our examples cross specific culture driven activities as well as general change implementation within which culture is a critical element.

**Example 1 – ICT transformation Programme, Social Services Agency**

Deloitte has been engaged by a national social services agency tasked with implementing one of the largest and most complex social reforms since the introduction of Medicare. Deloitte has been working closely with the executive team since 2015 and our 'partnering' has included the following:

- Commitment of our senior team over a 18 month period to ensure momentum, continuity and significant investment of partner time to manage relationships, delivery of work and momentum of program
- Facilitation of a visit to the US Deloitte offices including meeting with US Government officials and a visit to the Deloitte GovLab facilities in Washington DC to examine advanced data visualisation, design thinking and innovations in Government service delivery
- Innovation propositions to trial and prototype new digital innovations including robotic process automation.

Opportunities for improvement the current partnering arrangement could include formalising mutual investment arrangements and investigating innovative commercial arrangements to ensure the agency can explore risk and reward propositions as outlined in this paper.

**Example 2 – Workforce Transformation Programme, Department of Defence**

Deloitte has been engaged to a Defence Group with the design and implementation of workforce optimisation programme focused on workforce sustainability, affordability and capability since 2015; our partnering included the following:

- Deep and continual education through the introduction of a broad range of subject matter experts from outside of Defence in order to change the lens, and explore new ways of solving problems
- Leadership Team persistence, and willingness, to jointly navigate complex decision making and stakeholder networks in order to get things done
- Establishment of longer-term contracts, with a degree of scope flexibility, to allow rapid refocusing on unanticipated / unknown obstacles that represent roadblocks and a constraints.

### **Example 3 – Australian Submarine Corporation (ASC) Support to Coles Review of Collins Class Sustainability**

The Coles Review covered the Submarine Enterprise consisting of the Royal Australian Navy (RAN), Defence Material Organisation (DMO), Australian Submarine Corporation (ASC) and Department of Finance. ASC is Australia's largest specialised Defence shipbuilding organisation, with naval design and engineering resources unparalleled within Australia's Defence industry.

Deloitte was engaged by Defence to work with the Coles Review Team during 2012 to implement 'The Study into the Business of Sustaining Australia's Strategic Collins Class Submarine Capability'. The team implemented the strategy as devised by Deloitte in an earlier phase of work. Critical success factors included establishing a culture for change, and facilitating the sustainability of benefits from the transformation program.

Deloitte assisted the DMO to achieve sustainable change in three ways:

- Effective change management
- Concurrent culture change
- Business-led transformation.

Key client benefits included:

- Structure and process. Deloitte developed a robust governance framework to assess current governance maturity which allowed senior management to deliver accelerated impact of transformation. The approach was to build upon existing best practice guides and maturity frameworks from the Australian Public Service Commission and other organisations, and tailor them to the DMO/ASC enterprise environment
- Strategic impact. The implementation strategy developed a comprehensive roadmap for Senior Management, enabling a doubling of submarine availability over the program timeframe, and reduced the \$450 million p.a. cost of sustainment by half.

### **Example 4 – Queensland Government Culture and Values Renewal Program**

The Whole of Government (WoG) Culture and Values Renewal program is the foundational element for the Queensland (Qld) renewal agenda. The program is focused on identifying and implementing a set of aspirational WoG values across the sector to bring about change in the ways of working of all public servants. The Government's vision and goal is to be a government for the 21st century: one government that is connected and working together to deliver smarter, simpler outcomes that are responsive to the needs of Queenslanders now and for the future.

Deloitte delivered the following services:

- Applied a co-design approach to the engagement, working closely in an integrated team with the client to design and deliver all activities
- Led the engagement of key executives (800 Executives were engaged across 30 state wide Executive forums) and employees through facilitated forums, interviews and review sessions to assess and design future values, charter, culture renewal strategy and roadmap
- Designed, facilitated and assessed the pulse surveys from over 17,000 respondents to build a view of the current and required values and people's commitment and alignment to them
- Based on the feedback from the extensive engagement process, Deloitte worked closely with senior leaders to develop a new set of WoG values and the underlying behaviour descriptions
- In addition, Deloitte developed the culture change strategy and plan which set the foundation and principles for each agency to rollout and embed the values within their organisation

- Supported the implementation initiatives through SME advice and support and building measurement structures. Deloitte also facilitated the WoG values deployment. As an advisor, Deloitte supported Qld government leaders to deliver the implementation themselves. This involved the design and delivery of leadership/culture programs to teach tribal leaders to execute change through a values-led culture.

Key client benefits included:

- Extensive stakeholder engagement across executive, management and employee layers exposed common barriers/ challenges and opportunities for successful changes. This showed the need for engagement across all layers of the organisation and illustrated that senior stakeholders are impacted by the same change challenges as their teams
- Adopted a leader led approach and encouraged the client to lead engagement activity. Client led engagement is resulting in building greater buy-in and ownership of the key issues and required activities to deliver targeted outcomes
- The culture and values strategy and plan was endorsed by Queensland Cabinet.

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