



# Public Sector Innovation Summit Report

## Event Overview

On 22-23 March 2016, the Public Sector Network brought professionals from federal, state and local government departments together at Hotel Realm, Canberra, to explore what innovation truly means to government in Australia and New Zealand, and whether innovation is indeed a solution to deliver more with less.

Knowing that operational efficiency is at the top of the public sector agenda, the overarching theme of the summit focused on enabling those involved in service delivery, HR, finance, procurement, and ICT to deliver improved services to citizens while reducing costs and raising productivity.

To ensure that attendees made the most of the event, the first day of the conference was divided into multiple functional streams (HR, finance, procurement and IT) with break-out discussion groups and roundtables. Day two focused on digital transformation and innovation and the corresponding transformation challenges associated with the advent of digital technologies and new ways of working.

A mix of digital leaders and business services transformation leaders from the public sector in ANZ, the US and UK, as well as strategic partners, industry analysts and professionals shared their challenges, strategies and inspirational success stories.

The summit provided a platform for the sector to harness individual experiences and knowledge and to propel its innovation and transformation journey at a sector level.

## What We Heard

### The case for change

With public sector budget cuts increasing year on year and financial restraints tightening, the public sector finds itself in a difficult conundrum: How can the sector achieve any savings when aiming to achieve better outcomes for the public sector and its customers – both citizens and businesses?

The traditional way in which the public sector was viewed as a passive vehicle for executing public policy has shifted as customers increasingly demand more from the sector. The public sector is increasingly viewed by customers as another provider of 'services', services that they pay for with taxes. Therefore, the customer expects the same, if not better, service quality.

With two competing factors – an increasingly lean budget on one hand and a more savvy and demanding customer on the other – the public sector is under pressure to achieve a balance, whereby the service delivery model puts the customer at the heart, delivering a more customer-centric experience and outcomes and doing so at the same or preferably reduced cost.

### **Leadership in action**

Visible leadership at a strategic level is essential when attempting to introduce change in any organisation. If transformation and innovation initiatives are to succeed, it is essential to have robust commitment to change and endorsement at the highest organisational level. Leaders must fully understand what is meant by ‘transformation in the digital age’ if they are to make the appropriate decisions to guide their organisations through planned transformations. Committed top-level leadership ensures clarity of goals.

#### **CenITex \$2m Innovation Fund**

With no mandate for the use of CenITex services or any other shared services in the Victorian government, unsatisfied customers are not obligated to stay and can walk away at any time. CenITex is under pressure to improve customer service, increase efficiency and price its offering competitively.

The challenge for CenITex is how to be more responsive to customers’ needs and serve agencies faster and better. With this in mind, the organisation decided that its future must be created in collaboration with the customer base. To do so, a major cultural change was required to empower staff to grab opportunities and deliver excellence.

In order to get there, the leadership team continually communicated the need for positive change and more contemporary project management and delivery methods using lean and agile.

### **Understand the problem before making digital the solution**

*“Given one hour to save the world, I would spend 55 minutes defining the problem and five minutes finding the solution.” ~ Albert Einstein*

In the world of digital, most organisations are eager to roll up their sleeves and jump into action. While this ‘doing’ attitude is the right attitude, organisations are at risk of jumping in too soon without really understanding the problem they are attempting to fix.

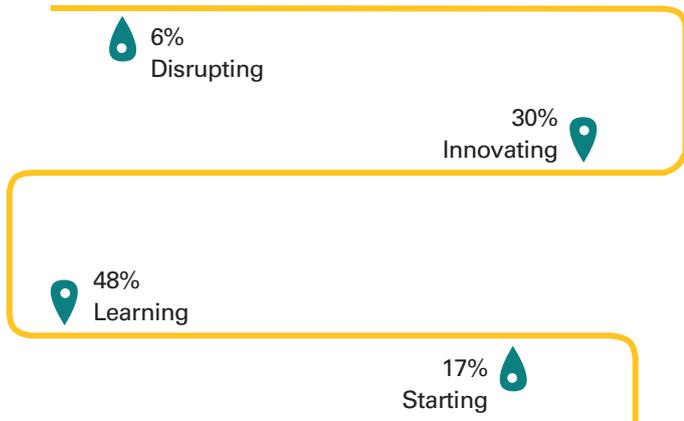
Digital transformation and innovation are successful only if they fulfill a customer need. While digital solutions answer the question, ‘How do we solve this problem’, organisations must never gloss over the prerequisite question, ‘What is the problem we are trying to solve’?

### **From continuous improvement to continuous innovation**

Leaders must create a solid foundation for continuous improvement. While innovation is mostly perceived as a major disruptive event, leaders must shift the enterprise mindset from only pursuing a big bang innovation to establishing a continuous innovation environment. Innovation is not a one-time event, but rather a continuous and iterative change process that can be both incremental in nature or a significant step-change, but mostly it must be embedded within the daily grind and mentality of the organisation.

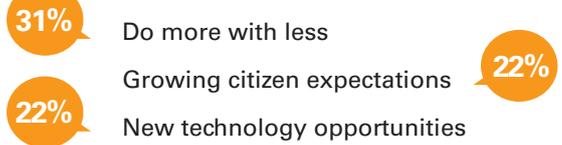
# We asked and you told us

## Digital Journey

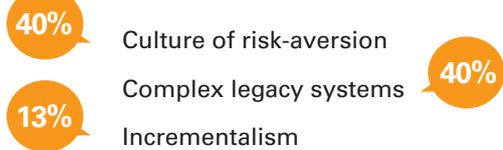


## Top Three

### Drivers of Innovation

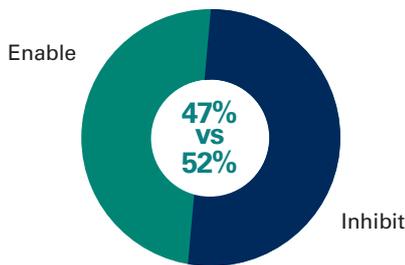


### Inhibitors to Innovation



## Business Services & Innovation

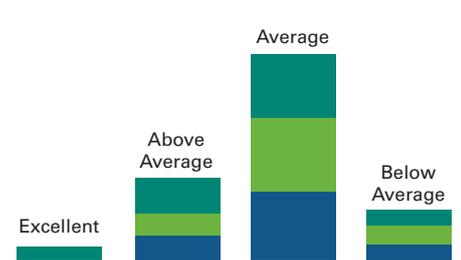
When asked if business services inhibit or contribute to innovation in your organisation



When asked which function is most critical to your innovation agenda



When asked to evaluate the contribution of each function to your innovation agenda



More than half of the participants believe that business services in their organisations inhibit innovation. While the remaining view business services as paving the way, the main focus is clearly on Information Technology while the other functions are overlooked in their ability to harness and support the enterprise innovation.

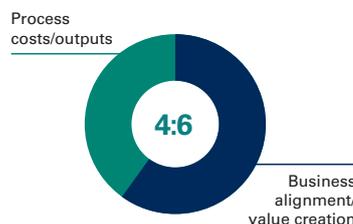
## Quick Polls

During the event, a quick poll for each functional stream (HR, finance, procurement and IT) was conducted. We asked:

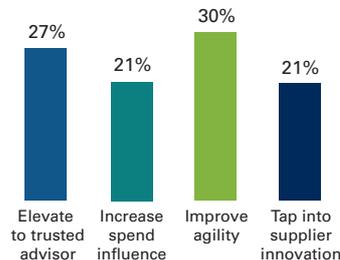
HR - what capabilities they are investing in



Finance - the key outcomes from their improvement efforts



Procurement - their key improvement initiatives



IT - the top 5 IT development areas on their agenda

- 1 Translating technology innovation into business innovation opportunities
- 2 Improve time to market of tech solutions delivery
- 3 Master data management, data quality and data management
- 4 Supporting mobile business initiatives
- 5 Cyber-security threats

### **Think big, start small, iterate fast**

*"Innovation equals doing, you can't innovate in theory."*

There is a general consensus that innovation is not about just having great ideas. It's the process of turning those ideas into viable products and services that meet the customer needs.

In order for these products and services to remain relevant, organisations must be responsive enough to design and push them out using an iterative process. While being agile is viewed with apprehension by many as being an overhyped method to delivery, the key takeaway remains that traditional ways of designing and executing services do not allow organisations to be nimble enough in their transformation initiatives to match the internal rate of change with the external rate of change.

The focus should be on identifying the minimum viable product that will meet critical customer needs, understanding what works and what doesn't by listening to the customer, and rapidly designing, building, testing and rolling out additional features and enhancements that respond to that feedback.

### **Measurement for awareness and alignment**

But how does an organisation validate the success of its transformation initiatives? Measurement is key. It allows organisations to empirically track their progress or lack of and to initiate data-driven discussions with relevant stakeholders.

*"Measurement is important. Have we been successful? Perception versus evidence-based approach to measuring policy"*

While it is important to have a vision and clear understanding of what the organisation is trying to achieve, progress can only be measured if the organisation establishes baseline metrics to identify its starting point and continuously reviews these metrics throughout the transformation journey.

For example, if an innovation initiative aims to achieve cost efficiencies while improving the customer experience, metrics such as cost to serve and net promoter score are suitable indicators to track. However, to link improvements to these metrics as a result of a specific initiative, the organisation must establish the starting cost to serve and net promoter score. Any subsequent improvements to these metrics can then be associated to the initiative in question.

Measuring innovation in itself is a tricky concept. A number of agencies have implemented measurement across the innovation lifecycle, starting with metrics that measure idea generation and formulation across to metrics that measure the implementation of these ideas and the outcomes.

Alignment is critical. A well-defined traceability between objectives and metrics must be established, and that includes individual performance metrics. At the end of the day, people are the foundation of any transformation initiative. If people are not motivated or incentivised to adopt behaviours, attitudes, or a mentality that is conducive to the success of these objectives, then success will remain elusive.

### **Take a moment to celebrate wins**

Organisations will always strive towards something better, never satisfied with the status quo. Striving is healthy, but remaining focused on what has not been accomplished yet can be draining to everyone involved. Organisations must learn to do both, to strive for more, but to also take the time to celebrate achievements attained thus far.

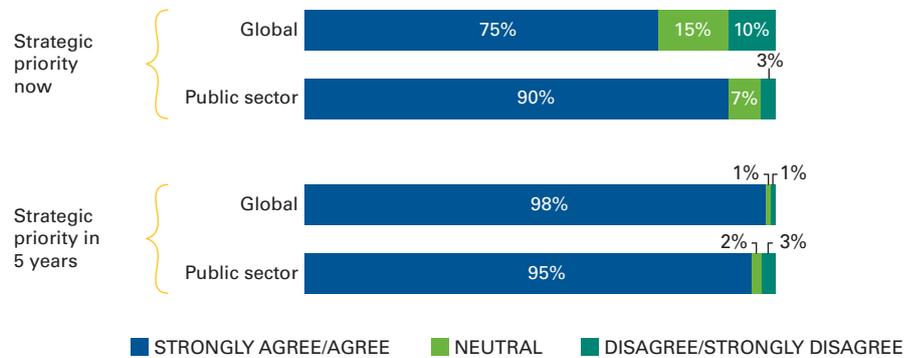
While it is important to have a grand vision for the future, it is just as important to parcel out the journey into smaller steps and to celebrate these step wins. When you recognise success, the organisation involuntarily breeds more success.

## What We Think

### The case for innovation is getting stronger

Innovation is certainly a strategic priority for the public sector. In fact, previous research by The Hackett Group has shown that 90 per cent of respondents in Australia and New Zealand indicated that innovation is currently a strategic priority, versus a 75 per cent response from our global research (FIG. 1).

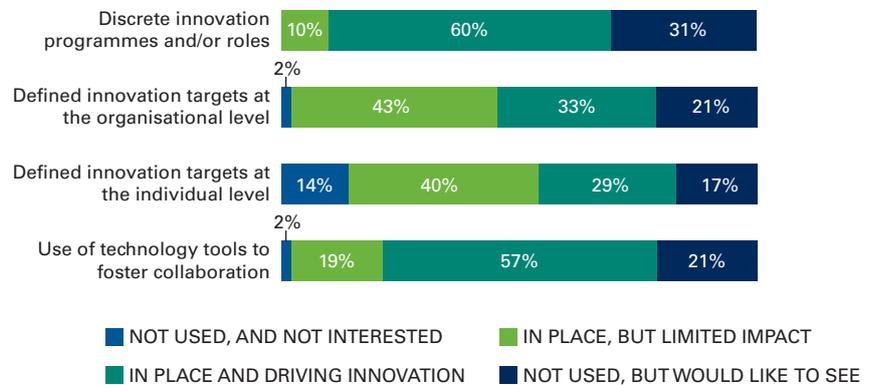
**FIG. 1 How important is innovation to your organisation now and in the future?**



### Challenges to overcome

The Hackett Group's research has shown that there is no shortage of good ideas being generated by the sector as evidenced by the innovative solutions that have been introduced throughout Australia and New Zealand's public sector (FIG. 2).

**FIG. 2 Adoption of innovation practices**



The challenges lie in the execution of these ideas and in the process of bringing those ideas to life. These systemic challenges stem from a cultural environment that subconsciously inhibits innovation and agility in the public sector.

The primary barrier is an entrenched culture of risk aversion, driven by the political environment and the media. This means that tolerance for failure is low especially when the impact will be visible at a political level.

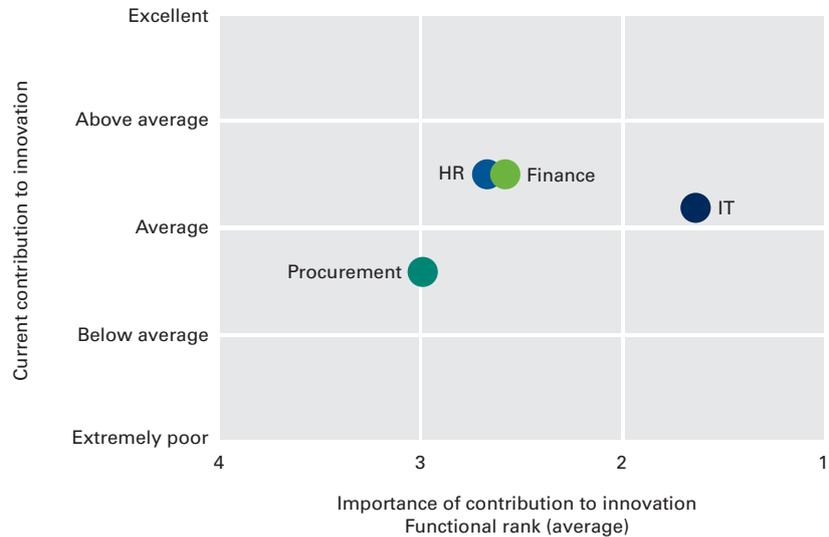
Risk aversion engenders a culture of incrementalism which, in turn, inhibits agility and innovation. This is encouraged by performance metrics focused on risk aversion and compliance.

From a technology standpoint, legacy systems and a fragmented technology infrastructure limit the sector's ability to mine data, synthesise information from different agencies and take an agile approach to solution development.

### Business services have a role to play

While innovation occurs in the public sector today, it is generally focused on front-line citizen service delivery. Internal business support services such as IT, procurement, HR and finance are often bypassed (FIG. 3).

**FIG. 3 Current contribution and perceived importance of business services functions to innovation**



Unless business services can be perceived as an enabler rather than an inhibitor of innovation and agility, they risk being marginalised. Business services are integral to enterprise agility; without an agile delivery model for business services, enterprise agility and innovation as a whole will remain elusive.

The question remains: How do business services contribute to the overall agility of an organisation? Our research provides clear takeaways for each function and its contribution to the agility agenda.

HR in agile organisations is implementing programs that actively foster a more innovation-oriented and adaptable business culture. HR plays an important role in talent and leadership development required to enable organisational adaptability.

For finance, the main focus is on improving information-rich decision support and proactive financial modelling capability. But more fundamentally, agile finance functions allow more scope for collaborative working by making budget management practices flexible enough to allow for greater sharing and mobility of resources. This fosters innovation and a healthier appetite for riskier disruptive changes.

IT is a key enabler in conceptualising value-creation opportunities made possible by digital infrastructure, applications, and information. IT functions in agile organisations realise that digital business transformation will increasingly rely on a broad range of technology innovations that will extend business capabilities far beyond the traditional core ERP platforms. Many of these innovations will be cloud-based and will connect suppliers, trading partners, customers, communities, and devices wirelessly and in real time.

It is worth emphasising that IT should not be a show stopper when it comes to transformation programs. Organisations have the tendency to pause their plans as they regard IT, in most instances, to be the significant or only enabler of change. In our experience, however, the business needs to lead and own the change. It can choose to outsource aspects of innovation to IT suppliers or non-government service providers if the in-house IT department is at capacity and cannot support the change based on the desired business requirements.

### Innovation at Work: NSW Transport Customer Apps

Early in 2015, the NSW government collaborated with four private developers to release multiple transport scheduling and road and public transport comparison apps.

Among other things, these apps use real-time data to find the best route options and departure times for a commuter's journey. They compare public transport and driving times in a single view and, in general, provide commuters with real-time updates related to congestion, travel times, and alerts for when to leave.

These apps were developed to alleviate the impact of the upcoming changes in and around the CBD while the CBD Light Rails is under construction.

In agile organisations, procurement has a seat at the table and facilitates the involvement of suppliers in idea generation. Leveraging a wider knowledge base through engagement with current and potential suppliers is the most effective of all innovation-enabling practices, according to Hackett's research. Doing this requires procurement to shift focus from compliance and transactional activities towards proactively engaging with the business in visioning and incubating ideas.

### From theory to application – what does it take

At Hackett, we do not believe in a one-size-fits-all prescription to success. Every organisation has its unique environment, competencies and challenges. Therefore, success is very much a personal journey.

Having said that, there are foundational elements and concepts that must be considered when embarking on any change initiative (FIG. 4). The elements themselves are applicable to every transformation initiative, but it remains up to the organisation to gauge its maturity and decide on the approach that best meets its needs.

**FIG. 4 Innovation and transformation considerations**

<p>A well-defined and well-communicated innovation strategy</p>	<p>Demonstrate leadership from top-down to inspire and motivate</p>	<p>Clearly articulate the problem statement and what outcomes you want to achieve</p>
<p>Measuring Innovation</p> <ul style="list-style-type: none"> <li>• Baseline the starting point</li> <li>• Outcome-focused KPIs</li> <li>• Aligned staff KPIs</li> </ul>	<p>Consider the Obstacles</p> <ul style="list-style-type: none"> <li>• Funding</li> <li>• Risk-aversion</li> <li>• Incrementalism</li> <li>• Culture</li> </ul>	<p>How to Innovate</p> <ul style="list-style-type: none"> <li>• Co-develop with customer</li> <li>• Collaborate with private sector</li> <li>• Acquire new capabilities</li> <li>• Dedicated personnel driving innovation</li> </ul>
<p>Enable innovation at every level of your organisation, back-office included</p>	<p>Be agile to remain relevant and responsive to customer needs</p>	<p>Plan. Do. Review. Iterate.</p>

### **NZ Government: Delivering customer-centric services**

NZ Government is taking a truly customer-centric view of delivering government services. The Federated Service Delivery initiative seeks to address multiple customer issues that have surfaced.

Customers are experiencing a lot of pain points when dealing with government services, such as having to approach several different government agencies before finding the one that could actually deal with their enquiry. Customers also pinpointed that government digital services were not meeting their needs and that they were less likely to complete transactions digitally with government than with the private sector.

The initiative seeks to address these issues by putting customers at the centre of all government service delivery – by removing the artificial demarcations that the government agency structure imposes on people, particularly around significant life events such as having a baby or embarking on tertiary study.

This means enabling customers to use the channels and service providers of their choice and allowing them to complete the government service requirements around their life events without having to navigate the range of government agencies and repeat the same tasks again and again. For web practitioners, it means designing digital channels that support the end-to-end service experience of the customer rather than just individual agency transactions.

### **Related Research**

Measuring Agility in Business Services, March, 2016

Key Issues 2016: Business Services Must Improve Agility to Balance Cost, Innovation and Transformation, January, 2016

The Innovation Imperative and the Public Sector, November, 2014

## Sponsoring Partners



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