CONNECTED GOVERNMENT

CEO CIRCLE: LEADING FOR INNOVATION

IT'S HOW
WE CONNECT

INTRODUCTION AND CONTEXT

The Connected Government Program is Telstra's premier thought leadership program for the public sector.

As part of this program, in April 2016, Telstra facilitated the Connected Government CEO Circle, an innovation leadership discussion with leaders of the public sector, hosted by Telstra CEO Andrew Penn.

This report captures the inspiring contributions of the CEO Circle participants and pulls together a story of change and transformation that reflects the insights from senior policy and government thinkers as well as practitioners from across Australia and around the world.

It's a story of leading for innovation in a more connected, open and unpredictable world to achieve prosperity, wellbeing, safety and security. The influence and impact of networked digital technology is at the heart of an emerging narrative about the way the public sector responds to new expectations from citizens for better services, smarter regulation and good policy.

The event included contributions from former Swedish Prime Minister **Fredrik Reinfeldt** and **Dr. Maryanne Broadbent**, an expert on technology, public sector leadership and building capabilities as well as from **Andrew Penn**.

The conversation was facilitated by **Chris Vein**, former Chief Innovation Officer for the World Bank, Deputy U.S. Chief Technology Officer for Government Innovation in the White House and head of the International Reference Group and innovation advisor to Australian Foreign Minister Julie Bishop on the InnovationXchange.

The **Hon Angus Taylor MP**, Assistant Minister for Digital Transformation and Cities, also addressed the Circle participants.

Dramatic economic, political, cultural and technology changes are creating opportunities and risks for growth, inclusion and sustainability that are making new demands on government and the public sector which require the ability to lead for innovation in conditions of volatile change, ambiguity and fragile trust.

CULTURE, LEADERSHIP AND PRACTICE:

A transformation narrative

A combination of culture, leadership and practice increasingly determine the public sector's capacity for innovation and impact. Getting each of them right is important. But even more important is to get them aligned so that they feed off, and into, each other.

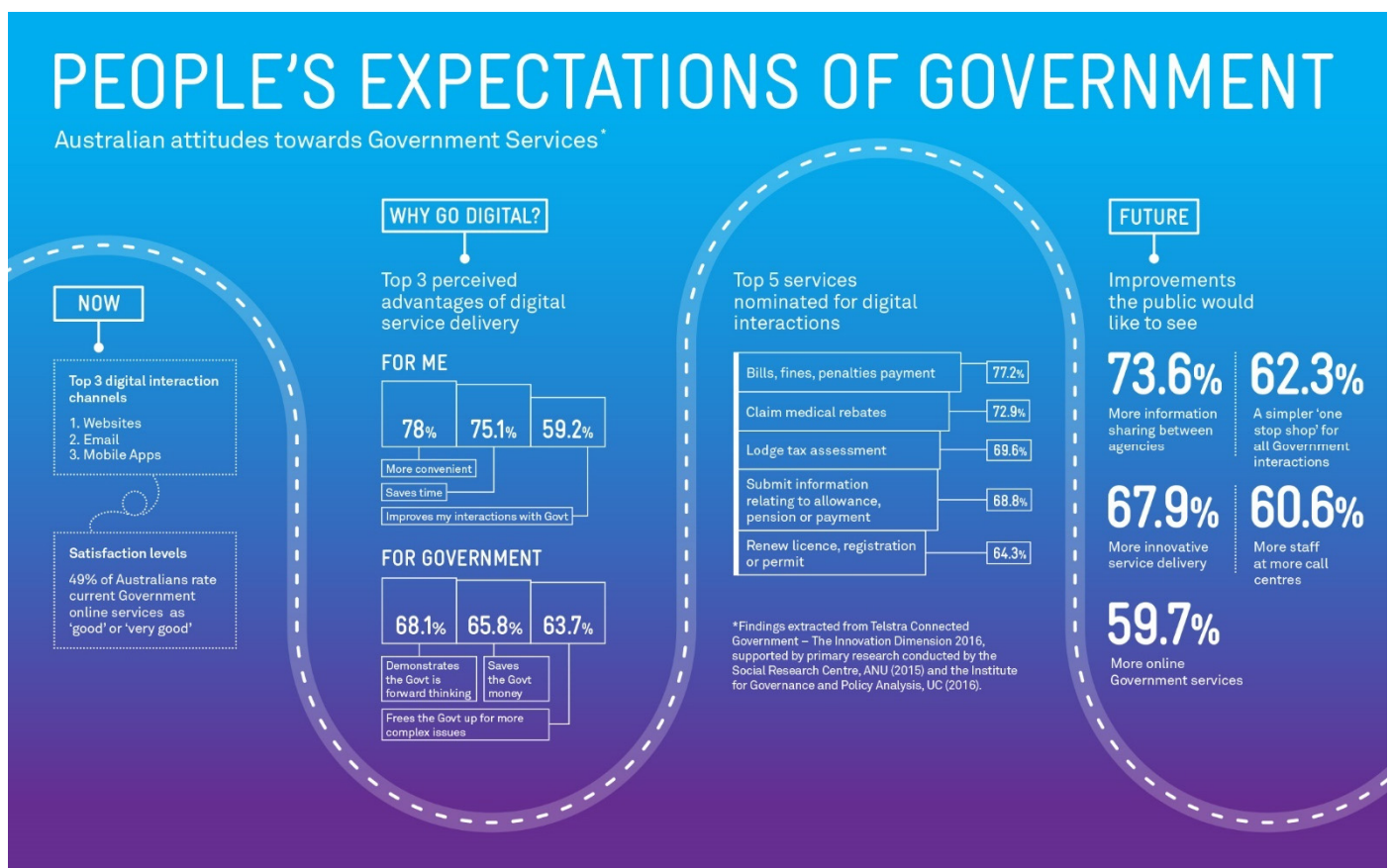This was the powerful story that emerged from the Circle's conversation.

The story has several parts: a sense of the context and conditions in which an emphasis on innovation is imperative, a clear view of the risks and opportunities for change and a commitment to practical action.

Context and conditions

Part of the background of the discussion emerged from research commissioned by Telstra to provide some insights into the policy and institutional backdrop for the CEO Circle.

It brought into sharp relief the opportunities, risks and complexity of the ambition to intensify innovation and reform efforts across the public sector.

PEOPLE'S EXPECTATIONS OF GOVERNMENT
Australian attitudes towards Government Services*

NOW

Top 3 digital interaction channels
1. Websites
2. Email
3. Mobile Apps

Satisfaction levels
49% of Australians rate current Government online services as 'good' or 'very good'

WHY GO DIGITAL?

Top 3 perceived advantages of digital service delivery

FOR ME
78% 75.1% 59.2%
More convenient
Saves time
Improves my interactions with Govt

FOR GOVERNMENT
68.1% 65.8% 63.7%
Demonstrates the Govt is forward thinking
Saves the Govt money
Frees the Govt up for more complex issues

Top 5 services nominated for digital interactions

Bills, fines, penalties payment 77.2%
Claim medical rebates 72.9%
Lodge tax assessment 69.6%
Submit information relating to allowance, pension or payment 68.8%
Renew licence, registration or permit 64.3%

*Findings extracted from Telstra Connected Government – The Innovation Dimension 2016, supported by primary research conducted by the Social Research Centre, ANU (2015) and the Institute for Governance and Policy Analysis, UC (2016).

FUTURE

Improvements the public would like to see

73.6%
More information sharing between agencies

62.3%
A simpler 'one stop shop' for all Government interactions

67.9%
More innovative service delivery

60.6%
More staff at more call centres

59.7%
More online Government services

It also reinforced a series of assumptions and expectations about the way different elements – customer and citizen expectation, public sector leaders, the rapidly changing external environment – come together as the basis for innovation in government and the public sector.
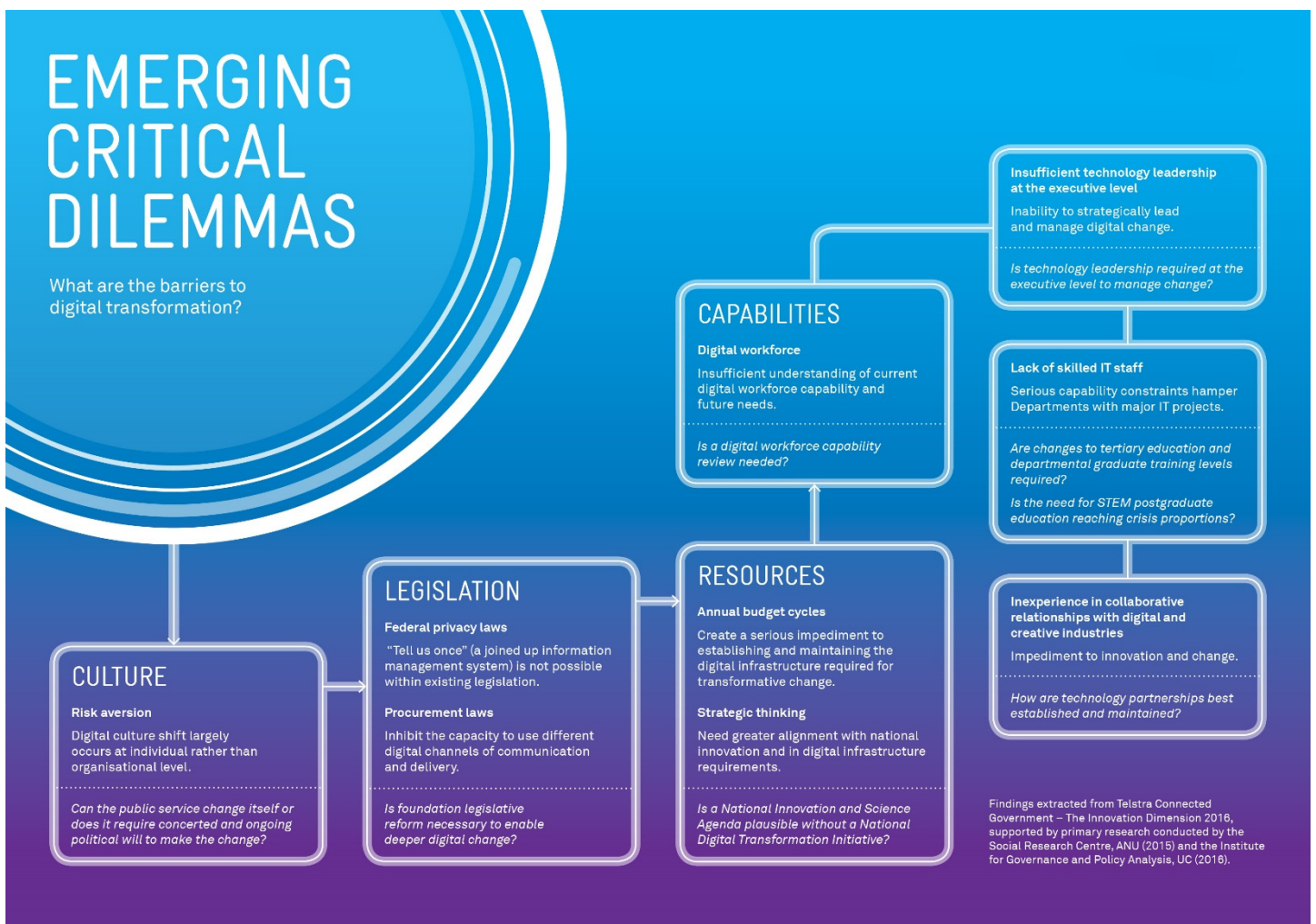
In many ways, people's expectations of government combine the very basic and transactional – easier to pay bills and fines online, lodging tax assessments, making their interactions with government convenient and quicker – and the more aspirational and complex.

These included challenges in culture, legislation and resources and the need to build new capabilities in a more confident digital workforce,

better technology leadership and much better partnerships with digital and creative industries.

More broadly, the public sector confronted significant opportunities, as well as challenges and risks, from a process of change being driven by a combination of technology transformation (machine learning, artificial intelligence, distributed ledgers, social technologies, etc.) and customer or citizen demand.

Underlying many of these big shifts in technology and culture is the fundamental democratization of the Internet itself. The implication is that it has become easier and cheaper for a more diverse mix and range of people and organisations to become involved in finding, testing and spreading ideas that work.

EMERGING CRITICAL DILEMMAS

What are the barriers to digital transformation?

Insufficient technology leadership at the executive level
Inability to strategically lead and manage digital change.

Is technology leadership required at the executive level to manage change?

CAPABILITIES

Digital workforce
Insufficient understanding of current digital workforce capability and future needs.

Is a digital workforce capability review needed?

Lack of skilled IT staff
Serious capability constraints hamper Departments with major IT projects.

Are changes to tertiary education and departmental graduate training levels required?

Is the need for STEM postgraduate education reaching crisis proportions?

LEGISLATION

Federal privacy laws
"Tell us once" (a joined up information management system) is not possible within existing legislation.

Procurement laws
Inhibit the capacity to use different digital channels of communication and delivery.

RESOURCES

Annual budget cycles
Create a serious impediment to establishing and maintaining the digital infrastructure required for transformative change.

Strategic thinking
Need greater alignment with national innovation and in digital infrastructure requirements.

Is a National Innovation and Science Agenda plausible without a National Digital Transformation Initiative?

Inexperience in collaborative relationships with digital and creative industries
Impediment to innovation and change.

How are technology partnerships best established and maintained?

CULTURE

Risk aversion
Digital culture shift largely occurs at individual rather than organisational level.

Can the public service change itself or does it require concerted and ongoing political will to make the change?

Findings extracted from Telstra Connected Government – The Innovation Dimension 2016, supported by primary research conducted by the Social Research Centre, ANU (2015) and the Institute for Governance and Policy Analysis, UC (2016).

The implication of these shifts in context and culture is that open economic and liberal trading regimes become critical. That commitment should inform the policy architecture necessary to realise the promise of innovation and transformation in services and the emergence of new business models for emerging industries.
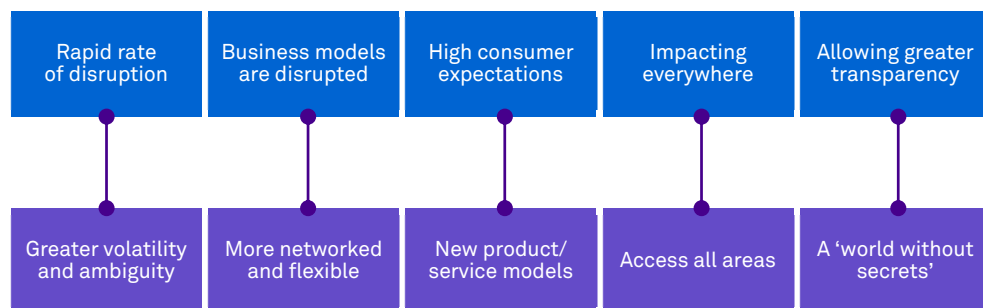
Commodity-based economies like Australia had to respond to changes in resource price and demand patterns, many of which are unlikely to 'come back to normal'. New flows of investment and R&D funding, public and private, would reflect new industries and business and service opportunities which all countries, especially those relying on an open and liberal trading system, would need to reflect in policy and public sector performance.

In our own region, population growth and rapid urbanisation are leading to demands for new services at scale that offered opportunities for growth and innovation in Australia. These trends created both business opportunities for growth and jobs, and challenging sustainability demands as well (e.g. fundamental issues like air and water quality in rapidly growing cities).

Australia's National Innovation and Science Agenda would put big pressures on – and offer major opportunities for - the education system to respond with curriculum and new teaching and learning methods that were relevant and responsive to emerging economic and social conditions. In particular, there will be a new premium on preparing people for a new world of work and new ways of working, including the opportunity to start businesses and take on entrepreneurial opportunities rather than assume they will either want or be able to choose more traditional jobs.

WHAT IS DIFFERENT ABOUT DIGITAL TRANSFORMATION?
Just a few examples...
NGS GLOBAL

Rapid rate of disruption	Business models are disrupted	High consumer expectations	Impacting everywhere	Allowing greater transparency
Greater volatility and ambiguity	More networked and flexible	New product/ service models	Access all areas	A 'world without secrets'

The conversation reviewed different perspectives on the intensity and impact of the current focus on digital transformation. Although there were clearly pockets of excellence, there was a sense that government generally lagged the pace and performance of digital transformation in the commercial sector. That gap was closing, but it had to close faster and more purposefully to keep on track with citizen expectations as well as the new pressures for efficiency and productivity.

Finally, there is a thread that runs through the digital transformation discussion in government, touching on fundamental issues of trust which impacts the conduct of politics and government around the world. Assumptions were shifting about people's expectations of politicians' willingness to keep faith with their commitments and adopt longer term thinking.

In the end, there was wide agreement that trust is about confidence in the integrity and intention of the process and leadership, as well as competence in execution and the ability to do the necessary work to high standards of performance and impact.

Risks and opportunities

A report prepared by the Institute for Governance and Public Administration at the University of Canberra, **Towards Digital-Era Governance**, provided a framework within which to think about the aspirations of 'connected government' in what the report's authors described as 'digital era governance'.

The report, based on interviews with senior public sector leaders, called out a number of elements whose combined effect brings into sharp relief the practical implications for connected government and leafing innovation in the public sector.

Nine 'digital dilemmas' clustered into four domains – **culture, legislation, resources and capability** - create an agenda for reform. The objective is to introduce new practice to improve the strategic management of change and mainstreaming 'digital behaviours' across the Australian public service.

These are the 'headline' dilemmas identified by the respondents of the report:

Cultural barriers

The leadership of many agencies is not addressing proactively the digital challenge.

The APS has failed to clearly articulate the purpose of digital change and embed it in the hearts and minds of its leadership.

The 'dominant ways we do things around here' remain formidable barriers to change.

The cultural barriers – 'the dominant ways we do things around here' – to digital change remain formidable. These include:

- 'Government tends to work like a machine rather than a system; digital requires a systems approach because it should be behavioural in character'.

- 'The separation of the policy elite from delivery means that key expertise is locked out of policy design particularly in relation to service design.'

- 'The policy elite is dominated by formal economists and their policy values. They have little time for any method that questions their assumptions about how the world works.'

- 'There is insufficient understanding of what the public values, or empathy - the policy elite assumes that citizens want to engage with government. They exaggerate their importance. The majority of citizens want to have as little to do with government as possible.'

Towards Digital-Era Governance

Legislative barriers

There is a common perception that 'tell us once' is not possible within existing privacy laws; others argue that the call for legislation 'is an excuse for inertia'.

Resource barriers

Budget rules (e.g. persistence of annual budget cycles) are a serious impediment to establishing and maintaining the necessary digital infrastructure for transformative change.

Capability barriers

Capability (alongside culture) is commonly viewed to be the major barrier to digital change both in the public sector and in Australia more generally.

The APS does not possess sufficient technology leadership at the executive level service-wide to strategically manage and lead digital change.

Departments with major digital projects face serious capability constraints in getting skilled staff, but agencies with more modest IT efforts report few difficulties.

Establishing mutually satisfactory technology partnerships (with digital industry players) is a throttle to change.

Some of the other insights from the report set out some of the biggest risks and opportunities that shape the context for, and expectations about, the way in which government and the public sector confront the challenges of digital transformation.

It's still true, for example, that cases of **'digital era governance'** that 'join up' departments or tiers of government (reintegration), or attempts to create client focused structures for agencies with 'end-to-end' redesign of services (needs-based holism) or 'digital by default' electronic delivery of services remain scarce. This is even more of a challenge with interventions that fully exploit

developments like the 'internet of things', the social web, big data analytics or artificial intelligence.

Increasing volumes of **data and digital information** relevant for public policy-making are now generated in society, available often for free or at minimal recovery cost. The development of new capabilities for **analytics** has offered the prospect of new insights about citizen needs and policy and service quality and impact.

There needs to be better ways to rapidly, and safely, share data across institutional and, increasingly, geographical and jurisdictional boundaries to improve policy and services that combined different functions, agencies and levels of government.

This was part of a wider push for **'open government'** strategies that make government more transparent and accountable to citizens. Increasingly, that data collaboration has to cross sectors too, bringing together information from government, business (e.g. insurance, health, or utilities companies) and civil society.

At the same time there is also evidence of the need for government to respond to a culture shift in Australian society. Increasing numbers of citizens have become IT and digital literate and expect the same quality of transactions with government that they experience with private service providers through their tablet or smart phone.

The combined effect of these trends is defined as one where digitisation is enabling significant strides in the ways in which data is collected and analysed ('data is the new oil', 'data is the new black'); where insatiable demand for quality services can be met ('digital is a survival strategy – how else will we cope?'); and where government can play an important role in facilitating economic development and promoting Australian products

and services ('digital provides government with a more obvious role to play in facilitating economic development').

It is notable that in many agencies, a palpable **digital culture shift** has already occurred at the individual level more than at the organisational level. Indeed, the test of a 'digital first' approach is whether digital concerns have been mainstreamed into the organisational culture or compartmentalised into a unit or office. In many agencies significant cultural barriers to deep digital change persist.

Attitudes towards, and policy and organisational responses to, **risk** have become a major testing ground for the opportunities emerging from digital government. Around the world, civil service cultures are adapting to the search for a level of comfort with well managed and sensible risk. And risk management is not the same as risk aversion or even avoidance.

Pervading the digital transformation debate in government is a question of **outlook and confidence**. Part of the task of innovation leadership is to sustain a collective and widespread belief that governments and communities can tackle big goals and deal with change effectively.

The more distributed and powerful the tools and platforms for digital transformation become, the more valuable are the underlying communication and information **networks** that keep it all connected and coherent.

Beyond the need for effective communication, many of the opportunities arising from digital transformation require much better **collaboration between universities, government and business**. They have an increasingly practical shared interest in pursuing investment and innovation outcomes whose benefits is only unlocked through new levels of sustained collaboration and joint working.

In all innovation and big transformation efforts, governments had to pursue the twin and interdependent goals of **excellence and inclusion**. Standards and expectations for performance had to be high and demanding. But the investment in skills, capabilities and change had to bring people along to avoid exclusion and the emergence of new divides of opportunity and impact.

> Perhaps former Australian PM Paul Keating's exhortation, that good leadership was a function of imagination plus courage, stands as a powerful signpost to the type of leadership that a more connected government, in the era of digital governance, needed and would increasingly rely on.

The rise of **platform economics**, the spread of pervasive and ubiquitous digital capability and tools and the democratization of innovation meant that Australia had to keep investing in STEM skills and assets to make sure it didn't end up 'on the end of other people's platforms'.

The **microeconomic reform of leadership** in the public sector had to confront the new challenges of digital transformation. What do organisations have to do differently and therefore what do leaders have to do differently in a more connected and open operating environment?

Some of the **leadership attributes** likely to be more salient in these conditions included adaptiveness, a high degree of tolerance of others with different perspectives and views, the ability to make sense of things for others through clear and consistent communication and the capacity to provide context and meaning amidst volatile change.

Cycles of change were speeding up and happening at multiple levels at different times. The effect has been to **intensify the 'speed of trust'**, which required leaders to have the ability to put effective teams together quickly to reflect common goals and deal with conflict.

What that meant was a great reliance on **generative leadership** models, in which the response to ambiguity and the search for new products and services to reflect changing operating conditions could drive waves of learning and innovation.

Practical action

The CEO Circle included a short mapping process which engaged participants in a process of rapid discussion to identify some of the factors that impact three dimensions of successful innovation leadership – culture, leadership and practice (or implementation).

Working in small groups, participants started with a quick brainstorming session to share their experiences and insights in relation to specific questions in each of the three domains.

Participants then identified the two or three insights they felt held the most significance for sustaining, or improving innovation performance in leadership, culture and practice. And finally, each group nominated the single most influential issues or insight, from which they felt further work could be done to progress improvement.

Telstra's Connected Government Program will support these efforts through strategic foresight, advice and original research as well as collaboration and implementation support.

"Despite its impressive ranking in global league tables, there is still much to be done in the APS to clearly articulate the purpose of digital change and embed it in the hearts and minds of public servants.

Once the APS has a strategic digital vision and a set of policies working to achieve that vision, it then needs to look at itself. The implementation of a strategic vision almost always requires change: change in the activities and behaviours of public servants and of the service as a whole, including of budget allocations.

If a strategy is designed properly then it will be possible to construct an understanding of plausible potential futures, a desired vision of the future, a set of outcomes that create public value, organisational alignment and allocation of resources throughout the delivery system to support achievement of those outcomes, together with accountability and feedback mechanisms to measure attainment.

In combination these can provide 'line of sight': a way for leaders – both political and bureaucratic – to see the links between strategic aims and intent, policy processes and delivery and achievement at the front line – and a way for the front line and citizens to see exactly the same things."

Towards Digital - Era Governance

Culture

The mood, tone and 'permission context' within an organisation that sends out signals about how people are expected to behave, what behaviour gets rewarded or sanctioned and how easy people find it to engage the kinds of behaviours – intelligent risk taking, collaboration, handling ambiguity, rapid and scalable learning, energy and drive – that make innovation possible and effective.
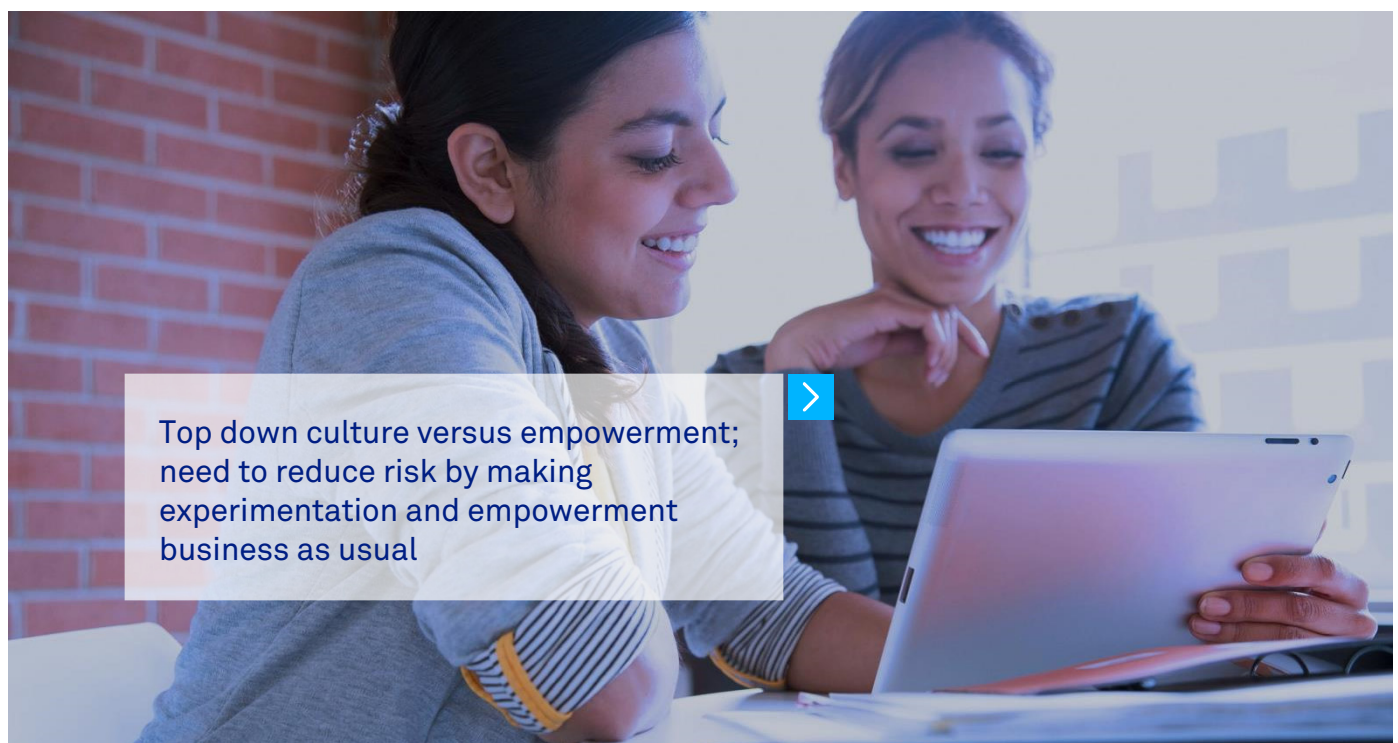
? QUESTIONS

What are the biggest cultural blockers that work against embedding innovation in public sector agencies?

What have you seen in your own work or what have you seen in other organisations that seems to make it easier for innovation to happen?

🔍 INSIGHTS

- Organisations are not wired to collaborate but rather to compete
- There are few incentives to innovate in the workforce
- There was a need for effective political and bureaucratic elite alignment
- Change remained hostage to a pathology of the short term and risk aversion
- The expectation of perfection often undermined the quest for discovery and experimentation; organisations remain too hierarchical, less empowering

Top down culture versus empowerment; need to reduce risk by making experimentation and empowerment business as usual

Leadership

The way leaders at all levels throughout the organisation, and not just at the top, speak and act in their roles as direction setters, permission creators and motivators of others to do their best and most value-laden work. In the end, leadership is behaviour. People believe what you do, not just what you say.

? QUESTIONS

What are some of the things leaders in public sector agencies do to make innovation harder?

What are some of the things leaders in public sector agencies do to make innovation easier?

INSIGHTS

- Scope creep and the need to avoid the risk that 'the wider the front, the slower the advance'
- Adopt agile, smaller steps which means less risk
- Innovation teams can be the enemy of innovation - spread the innovation process out into the organisation
- Innovation should be 'seasoning, not sauce', diffused, not 'dipped into'
- Create a better environment for dialogue by bringing the 'outside' of the organisation inside
- More visible leadership for innovation at all levels
- Look for the innovators within and protect, nurture and reward them
- Take opportunities when presented, often by outside changes and 'shocks', to shift organisational shape and create new spaces
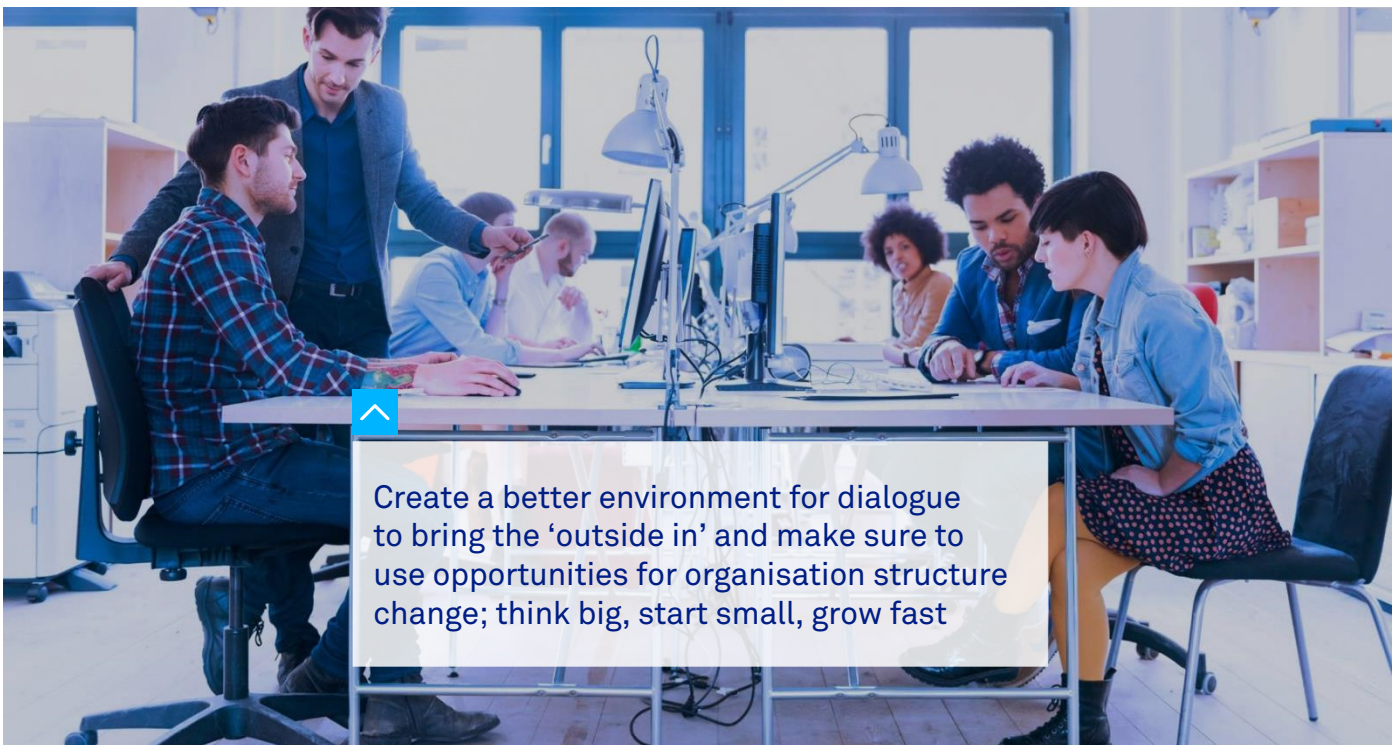
Create a better environment for dialogue to bring the 'outside in' and make sure to use opportunities for organisation structure change; think big, start small, grow fast

Practice

Innovation is not ideas, it's not design, it's not workshops and post-it notes, it's not funding or leadership, it's not prototyping, it's not learning, it's not collaborative work spaces and cool digital tools, it's not scaling and spreading.

It's all of those things, and more, coming together as a system of coherent practice which accepts that, in the end, if it's going to be effective, innovation has to degenerate into the need for hard, systematic and practical work with tools, techniques and behaviours that can be learned, rehearsed, strengthened or undermined.
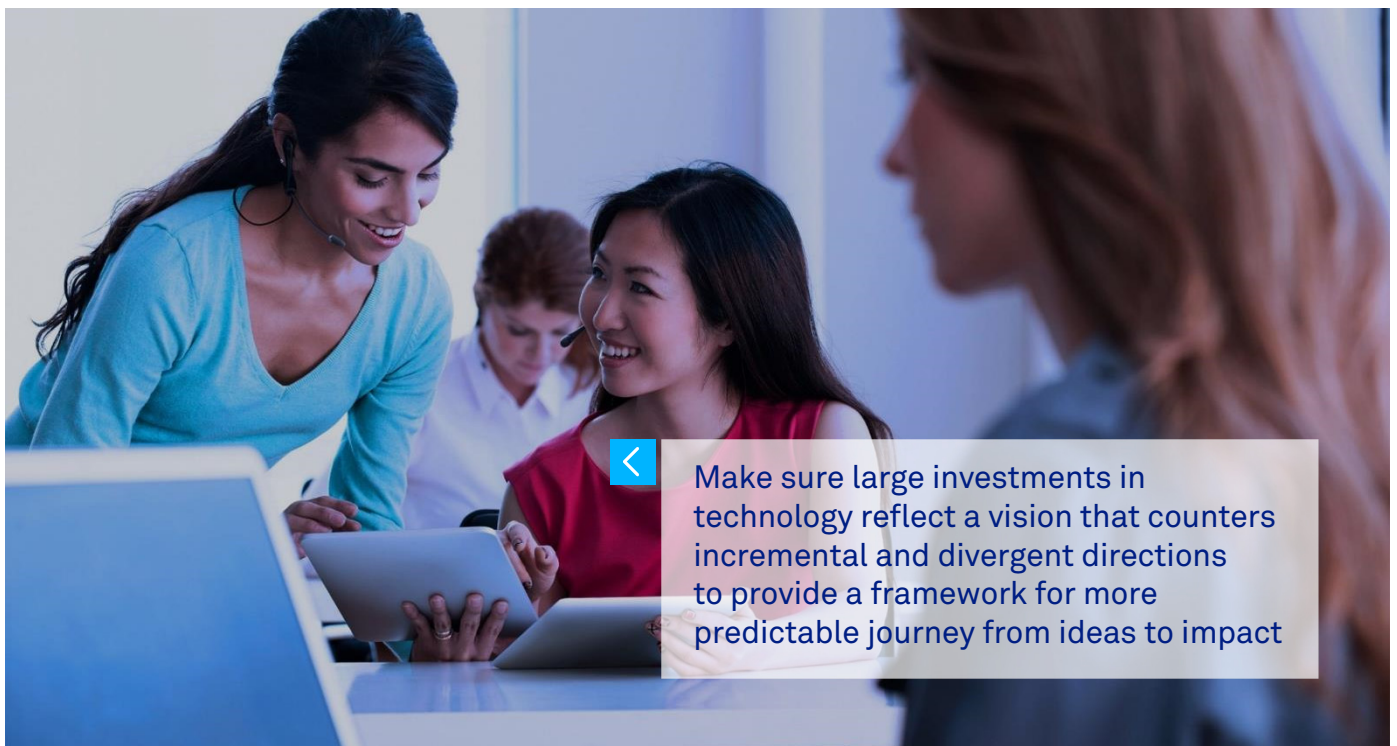
QUESTIONS

What would be the changes and investments you would make in terms of skills and capabilities that you think would have the biggest impact on improving the practice of innovation in your organisation?

What are the skills and capabilities you think would make the biggest impact on improving how innovation is done in your organisation?

INSIGHTS

- Large investment in technology change often not matched by a vision that counters incremental and divergent directions

- Better interaction between technology and business managers across the public sector

- Invest in better knowledge transfer

Make sure large investments in technology reflect a vision that counters incremental and divergent directions to provide a framework for more predictable journey from ideas to impact