



BEYOND THE BUILD: OPERATIONALISING INNOVATION IN GOVERNMENT THROUGH CULTURE, TRUST, AND TECHNOLOGY

EXECUTIVE SUMMARY | VOL.19 | QUEENSLAND



IN BRIEF

The Queensland-based roundtable convened senior leaders from government, academia, and industry to interrogate the persistent gap between digital ambition and operational execution in the public sector. Anchored by the topic of emerging technologies—most notably AI—the discussion examined the structural, cultural, and governance-based inhibitors of innovation, and proposed pathways to reposition government as a digitally confident, citizen-centred service provider.

Participants reflected on the legacy of outdated systems (e.g., Medicare's COBOL-based infrastructure), the lack of systemic investment in capability uplift, and the disconnect between siloed innovation pockets and whole-of-government transformation. A key insight was the overemphasis on technological implementation over cultural adaptation—many departments had either completed or neared decommissioning legacy systems, yet remained encumbered by outdated operating models, procurement frameworks, and benefit-realisation mindsets.

Notably, the conversation introduced critical concepts including product-based operating models, decentralised governance, continuous delivery cycles, and cross-agency research partnerships. Participants agreed that adopting a sustainable innovation model will require restructured funding frameworks, stronger collaboration across agencies and with universities, and a redefinition of public sector accountability to emphasise citizen outcomes over compliance metrics.

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KEY THEMES AND INSIGHTS

CULTURE EATS DIGITAL STRATEGY FOR BREAKFAST

Despite progress in legacy system decommissioning, cultural inertia remains a primary barrier to digital transformation. Participants emphasised that technology alone does not transform service delivery—changes to practice, mindset, and accountability must accompany system upgrades.

In one agency, enterprise-level transformation efforts stalled because business leaders lacked a clear post-legacy strategy. Without changes to workflows, performance metrics, and staff roles, new systems merely replicated outdated practices digitally.

“It’s not a technology issue... it’s the practice of how people work that has to fundamentally shift.”

FROM FUNCTION TO PRODUCT: RETHINKING OPERATING MODELS

Multiple participants endorsed a shift from functional hierarchies to product-based operating models. This model treats government services as evolving products with dedicated owners, continuous funding, and integrated change cycles.

A government agency with regulatory responsibilities in the construction and housing sector shared its experience: after mapping its entire enterprise architecture and securing strategic buy-in, the organisation adopted a product model to embed digital improvements into business operations. This transformation was only possible through a multi-horizon, agile portfolio approach—phased over several years and continuously iterated.

RESPONSIBLE AI REQUIRES MORE THAN TECH READINESS

While generative AI adoption has skyrocketed, participants voiced concerns about organisational readiness, data quality, and governance agility. Only 28% of organisations globally felt “fully prepared” for AI in 2023, and Queensland echoed this hesitation. Many cited the lack of AI-specific governance models, insufficient training, and legacy procurement processes that cannot accommodate the rapid cycles of AI evolution.

“You can’t apply old governance to new tech. AI moves faster than six-month assurance cycles.”

Participants suggested differentiating between implicit AI (embedded in existing systems) and explicit AI (standalone applications requiring robust governance and ethical oversight).

ACADEMIC-GOVERNMENT COLLABORATION: FROM SPORADIC TO STRATEGIC

Griffith University participants and government leaders alike recognised the untapped value of sustained research partnerships. While project-based collaboration exists, a more structured, long-term model—such as “living labs” or tailored executive training programs—could embed capability uplift into ongoing transformation agendas.

Examples included a past QUT partnership where government staff were offered exclusive postgrad programs solving real policy problems, with course access contingent on retention, incentivising both skills development and institutional memory.

CHALLENGES AND BARRIERS

CULTURAL LAG AND LEGACY BEHAVIOUR

Participants repeatedly identified cultural lag as the primary inhibitor of transformation. Change management and project professionals are too often expended with post-implementation, resulting in short-lived innovation gains.

This problem is compounded by legacy behaviours—manual workarounds, spreadsheet dependency, or reluctance to use new systems. Behavioural inertia mirrors technological debt: without strategies to “decommission” outdated habits, new systems are rendered ineffective.

FRAGMENTED ACCOUNTABILITY

Governance remains overly compliance-driven and risk-averse, yet value emerges iteratively from experimental technologies.

“Boards ask for benefits before the work begins. But AI is not a project—it’s a continuous, evolving capability.”

Current governance frameworks are ill-equipped to handle rapid product cycles, leading to stalled initiatives or unchecked shadow adoption of AI.

SILOED INNOVATION

Many agencies operate in parallel on similar transformation challenges—digitising licenses, shifting to product models, exploring AI use cases—yet lack coordination.

“If someone’s solved this already, why does everyone need to do it again?”

Participants pointed to procurement, funding cycles, and fragmented data ownership as recurring inhibitors of cross-departmental innovation.

FUTURE FOCUS AREAS

CULTURAL TRANSFORMATION AND CHANGE CAPABILITY

Participants called for sustained investment in change practitioners, not as temporary project staff but embedded roles within delivery teams, to allow change to evolve alongside technology:

- Longitudinal research into successful cultural change in government settings.
- Developing public sector-specific capability frameworks for product-based delivery.

AGILE GOVERNANCE AND RISK MODELS FOR AI

With AI adoption outpacing governance evolution, agencies require fit-for-purpose oversight that can scale with innovation:

- Modular AI assurance frameworks.
- Agile governance case studies
- Defining accountability for AI decisions, especially in citizen-facing contexts.

INTER-AGENCY INNOVATION HUBS AND SHARED SERVICES

There was strong interest in shared platforms and design frameworks to reduce duplication:

- A government-wide innovation lab or “digital product studio.”
- Common frameworks for digital identity, licensing, or consent management.

PROCUREMENT REFORM AND STARTUP ENGAGEMENT

Modernising procurement processes to accommodate startup partnerships, pilot engagements, and iterative delivery cycles was identified as essential to future readiness.

- Flexible procurement models
- Tiered approval processes based on risk profiles and lifecycle maturity.

INNOVATIVE IDEAS AND CASE STUDIES

1. PRODUCT-BASED TRANSFORMATION

One agency shared its journey in moving from legacy-bound operations to a continuous improvement model through product-based service delivery. This transition required the development of an enterprise architecture map, a multi-year transformation portfolio, and agile delivery cycles. The approach allowed the organisation to embed digital change into day-to-day operations and avoid the pitfalls of traditional project-based thinking. A key enabler was executive sponsorship and a strategic willingness to fund innovation as an evolving service, rather than a one-off capital investment.

2. AI LITERACY AND EXPERIMENTATION IN CONTROLLED ENVIRONMENTS

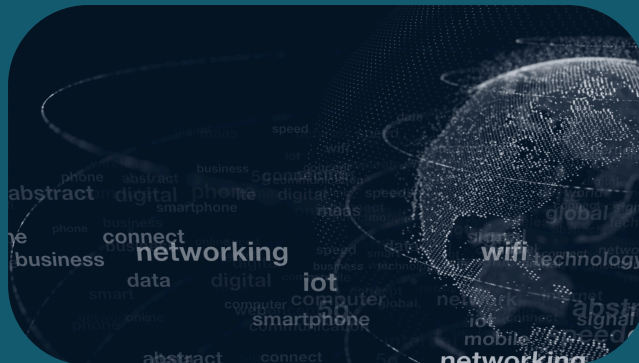
Participants highlighted the value of controlled, closed environments to trial AI solutions with minimal risk. In one example, a structured AI pilot was launched within a tightly defined user group, supported by oversight mechanisms, co-designed user interfaces, and clear monitoring boundaries. This approach helped build organisational confidence, promoted ethical usage, and avoided public-facing risks while still enabling tangible learning.

3. RESEARCH-GOVERNMENT “LIVING LABS”

The concept of “living labs” emerged as a promising model for operationalising innovation with academic partnerships. These labs would involve co-location or close collaboration between public sector teams and researchers, focused on real-world challenges such as predictive analytics for service demand or procurement workflows. Unlike traditional consultancy engagements, these partnerships would be long-term, capability-building arrangements—simultaneously generating policy insight, academic outputs, and workforce upskilling.

4. THE HIDDEN INNOVATION LAYER

Several participants noted that much of the innovation happening across government is either unknown or under-leveraged due to fragmentation. For example, some agencies had independently piloted similar technologies without knowing about each other's efforts. Others discovered relevant vendors or tools only after the conclusion of major procurement exercises. This revealed a significant opportunity to improve innovation visibility, and to develop curated showcases or shared platforms where departments can learn from each other in real-time.



STRATEGIC OUTCOMES AND RECOMMENDATIONS

IMMEDIATE ACTIONS

- **Conduct an audit of innovation silos:** Agencies to map current digital initiatives and identify cross-departmental synergies, particularly in AI pilots and digital licensing.
- **Establish joint change capability teams:** Co-fund and embed dedicated change specialists in major transformation projects to ensure cultural alignment.
- **Develop “Responsible AI” training modules:** Co-designed with Griffith University, these modules would support public servants in ethical AI use.

MEDIUM-TERM GOALS

- **Stand up a cross-agency innovation coordination group:** Empowered to link shared services, identify replication opportunities, and broker partnerships.
- **Pilot product-based operating models:** Trial with at least two services in separate departments, documenting governance, change, and delivery structures.
- **Launch a “Living Lab” pilot:** Partnering with Griffith or other universities, government teams could explore targeted challenges in safe, research-backed settings.

LONG-TERM VISION

- **Reform procurement for AI-readiness:** Create a flexible, risk-based procurement model allowing for rapid piloting, sandbox trials, and startup engagement.
- **Establish a Queensland Centre for Digital Government Innovation:** Inspired by university-industry research centres in manufacturing, this body would act as a bridge between government needs and academic/industry innovation.
- **Drive structural reform toward citizen-centric services:** Champion models where agencies serve unified, outcome-driven portfolios—such as health, mobility, or education—instead of rigid functional mandates.



ABOUT THE FUTURE GOVERNMENT INSTITUTE (FGI) RESEARCH COUNCIL

We've been able to engineer a new program antithetical to the classical red tape, administration, and risk-aversion that impedes innovation.

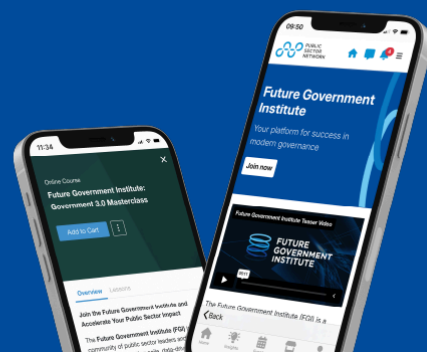
Public Sector Network has recently launched The Future Government Institute (FGI), a global hub for forward-thinking public sector leaders, innovators, and practitioners dedicated to shaping the next era of governance.

Our mission is to empower government professionals with the tools, insights, and networks needed to drive meaningful transformation - <https://publicsectornetwork.com/future-government-institute/>

Leveraging our extensive connections, we are uniting the sharpest minds from government, academia, and industry via monthly research-driven roundtables, hosted at esteemed national centres of research, courtesy of university partners across Australia and New Zealand.



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ABOUT PUBLIC SECTOR NETWORK

Public Sector Network is a research company that represents public sector professionals across Australia, Canada, New Zealand, and the USA. It develops roundtables, seminars, and conferences to suit current areas of interest to government agencies and their suppliers.

PSN's growing community spans across federal, state, and local government departments, healthcare, and education, allowing members to share information, access the latest in government innovation, and engage with other like-minded individuals on a secure and closed-door network.

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