



DESIGNING FOR SCALE: THE OPERATING MODEL BEHIND SUCCESSFUL AI ADOPTION

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IN BRIEF

The Research Council convened a roundtable of senior public sector leaders and industry partners to examine how government can move from AI experimentation to scalable, trusted implementation. Participants agreed that the gap between pilots and production is rarely technical alone. Successful scaling depends on treating “non-negotiables” (security posture, privacy, data sovereignty, auditability, and disposal) as design inputs from day one, not hurdles discovered after a proof of concept.

A key insight was the need to shift from generic productivity narratives to targeted, measurable value. Several agencies described building activity-based cost models and throughput baselines to compare current-state service costs with projected AI-enabled outcomes. This reframing supported clearer executive decision-making, especially where “time saved” does not translate into budget savings, but can be reinvested to address unmet demand, rising data volumes, or ministerial priorities.

Participants emphasised that AI governance must be risk-based and adaptive, because AI is becoming embedded across common software platforms. Rather than treating every AI-enabled feature as a special case, agencies are increasingly focusing governance on use cases, decision impact, and the sensitivity of data and contexts involved. The discussion closed with a call for stronger cross-government visibility of proven use cases, shared evaluation approaches, and practical pathways to procurement that support rapid learning without undermining public trust.

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KEY THEMES AND INSIGHTS

“BUILD IT LIKE YOU MEAN TO SHIP IT”: PRODUCTION CONSTRAINTS MUST EXIST IN THE PILOT

Participants repeatedly returned to a pragmatic lesson. If a solution cannot meet security, privacy, data residency, and cyber requirements in production, those requirements must shape the pilot from the outset. For high-sensitivity agencies, this was described as a “do not pass go” threshold, where data location, retention, and access controls determine whether experimentation can occur at all. Cloud-based sandboxing was framed as a practical enabler, allowing teams to template secure environments, spin them up quickly for trials, and shut them down without leaving stranded infrastructure and sunk cost incentives.

The implication was clear. Many pilots fail not because the idea is weak, but because the pilot environment is too unlike production. When pilots ignore security, governance, or disposal requirements, the transition cost and complexity becomes prohibitive, and proof-of-concept work stalls.

COST-TO-SERVE THINKING: VALUE IS NOT “TIME SAVED”, IT IS DEMAND MET AND RISK REDUCED

A strong thread was the limitations of traditional ROI logic in government. Participants noted that productivity gains rarely create immediate budget savings in public service funding models. The more compelling framing was: what ministerial outcomes or service backlogs become achievable if capacity is freed up?

Several agencies described building cost baselines for core functions. This included activity-based costing exercises to quantify effort by process, enabling leaders to target AI where the “prize is big enough” and avoid automating low-volume work. Where demand pressure was acute, value was articulated through throughput and timeliness. For example, in regulatory or statutory processes where delayed decisions create legal or compliance risks, the comparison was not simply licence cost versus staff time, but the cost of poor timeliness, downstream remediation, and loss of trust.

TECHNOLOGY READINESS AND HUMAN READINESS: BOTH DETERMINE ADOPTION SUCCESS

Participants drew on common maturity concepts: a solution succeeds when the technology is ready for the job and the workforce is ready to use it well. Several agencies reported that human readiness is not just training people on prohibitions (“don’t use AI for X”), but building practical capability in how to use tools effectively, including prompt craft, verification habits, and disclosure expectations.

On the technology side, participants noted vendor claims can be vague. Some agencies are shifting toward stage-gated market engagement (for example, RFI to identify who has production examples, then RFQ for pilots, then formal evaluation using test harnesses or structured criteria). This approach was seen as a way to reduce wasted effort and focus on solutions with demonstrated performance.

“WE’RE DIFFERENT” IS THE CULTURAL BARRIER THAT MAKES GOVERNMENT PAY TWICE

Participants identified a persistent adoption inhibitor: agencies assume their context is so unique that reuse is impossible. The roundtable argued that many public sector processes share common components (submission, assessment, audit, compliance, remediation, certification). Breaking problems into functional use cases makes it easier to find peers, reuse patterns, and collaborate across domains, including internationally. However, multiple participants noted that discovering “who has done this already” remains surprisingly difficult, often requiring informal networks and repeated introductions before reaching the right team.

TRUST IS BUILT THROUGH RISK-BASED USE AND DEMONSTRATED EXPERIENCE

Trust was framed as cumulative. AI techniques such as OCR, routing, and pattern recognition have been used for years and are no longer perceived as “AI” because they are proven and low-risk. Participants predicted that many current governance questions will similarly evolve as tools mature, but stressed that the public sector must intentionally manage that transition, particularly for high-impact use cases.

CHALLENGES AND BARRIERS

GOVERNANCE OVERLOAD AS AI BECOMES UBIQUITOUS

A practical barrier is the growing mismatch between policy intent and operational reality. As AI capabilities become embedded in commodity platforms, blanket rules that treat any AI-enabled product as requiring full governance assessment become unworkable. Participants observed early examples of overcorrection, where agencies considered blocking tools simply because an interface now includes AI features, despite existing obligations already requiring staff not to disclose sensitive data to public services. The emerging solution is to shift governance away from “AI exists in the product” towards “what is the use case, what data is involved, and what decisions or outcomes are affected”.

DATA SOVEREIGNTY, SUPPLY CHAIN RISK, AND SECURITY POSTURE

Participants emphasised that scaling AI requires resolving core questions: where data is processed, how it is retained, and who can access outputs. Data sovereignty requirements, vendor transparency, and ongoing platform updates can introduce risk, especially where security patching and compliance obligations conflict with the ability to control AI functionality.

MEASUREMENT AND FINANCIAL LITERACY GAPS

Even where agencies want to adopt AI, many struggle to measure current-state cost, effort, and performance. Without baselines, it is difficult to justify investment, compare options, or make credible claims about benefits. This is compounded by uneven financial and technology literacy across business units, creating friction in translating operational pain into decision-ready evidence.

FRAGMENTATION AND LACK OF VISIBILITY

Participants described a persistent discovery problem: knowing which agencies have implemented similar solutions, what worked, and what failed. The absence of a shared, practical view of “proven use cases” slows adoption and increases duplication.

FUTURE FOCUS AREAS

USE-CASE DRIVEN ASSURANCE AND GOVERNANCE

Future Research Council work could focus on a practical risk-tiering model for AI use cases, aligned to decision impact, data sensitivity, and human oversight requirements. The aim would be to reduce governance overload while strengthening controls where consequences are highest.

COST MODELLING AND BENEFITS REALISATION IN GOVERNMENT CONTEXTS

Participants identified a need for capability uplift in cost-to-serve modelling and benefits realisation that reflects public sector realities. A future roundtable could explore how agencies measure throughput, timeliness, risk reduction, and community value, especially where “time saved” is an inadequate metric.

STAGE-GATED PROCUREMENT PATTERNS FOR EMERGING TECHNOLOGY

There was strong interest in pragmatic procurement approaches that support experimentation without long, high-friction processes. Future sessions could codify stage gates (RFI → RFQ → pilot → evaluation harness → scale), vendor evidence expectations, and ways to shorten learning loops while maintaining probity and cyber compliance.

WORKFORCE READINESS AND VERIFICATION HABITS

Participants noted that workforce capability is not only tool access but the ability to use AI safely and effectively. A focus area could be practical training models that build verification discipline, disclosure norms, and decision-making accountability, rather than relying on policy-only guidance.

INNOVATIVE IDEAS AND CASE STUDIES

1. SECURE CLOUD SANDBOXES AS A REPEATABLE PILOT PATTERN

Participants described templated, security-aligned cloud environments that can be rapidly provisioned for pilots and then decommissioned. This reduces the common barrier where pilots are conducted in unrealistic environments, and it avoids the “stranded tin” problem where infrastructure becomes politically or emotionally hard to turn off. The innovation is not cloud itself, but operationalising a repeatable pattern that brings production constraints into experimentation.

2. ACTIVITY-BASED COSTING TO TARGET HIGH-IMPACT AUTOMATION

A notable approach was the use of time-based activity costing to create a whole-of-organisation view of where effort is spent. This enables agencies to identify processes with sufficient volume and cost to justify investment, and to avoid automating low-impact work. It also supports a clearer narrative for executives: what it costs today, what changes with AI, and what new capacity can be redeployed to meet unmet demand.

3. STAGE-GATED VENDOR ENGAGEMENT TO TEST TECHNOLOGY READINESS

Rather than relying on vendor claims, agencies discussed using RFIs to surface evidence of production deployments and narrow the field before formal procurement. This is paired with structured evaluation, including test harness approaches, demonstrations, and clear criteria tied to specific use cases. The aim is to reduce wasted cycles and to ensure that “pilot” does not become a euphemism for “immature technology”.

4. RISK-TIERED GOVERNANCE THAT FOCUSES ON USE, NOT MERE PRESENCE OF AI

Participants argued that because AI is becoming embedded in mainstream software, governance must be anchored in what is being done with the system. Low-risk automations (such as classification or routing in controlled environments) can be governed differently from high-impact applications (such as decision support in sensitive contexts, or models that influence enforcement action). This tiering approach aligns governance effort with consequence, and avoids paralysing adoption through overbroad controls.

5. MANAGING EXPLODING DATA VOLUMES THROUGH AI-ENABLED TRIAGE

Several agencies highlighted that data volumes are reaching levels beyond human capacity, creating operational risk and legal exposure. AI-enabled search, transcription, and triage were positioned as necessary enablers, not optional enhancements, particularly in contexts where statutory timeframes and evidentiary obligations remain fixed while digital volumes grow.



STRATEGIC OUTCOMES AND RECOMMENDATIONS

IMMEDIATE ACTIONS

- **Define and publish “non-negotiables” for pilots:** Establish a baseline checklist covering data handling, security controls, sovereignty, retention/disposal, logging, and oversight expectations so pilots are designed for scale from the beginning.
- **Select two to three measurable, high-volume use cases:** Use existing operational data or rapid activity mapping to prioritise functions where throughput, timeliness, or risk reduction can be measured credibly.
- **Shift governance to “use case first”:** Update internal guidance so approvals focus on what the AI-enabled function does, what data it touches, and what decisions it influences, rather than treating all AI-enabled software uniformly.
- **Stand up evaluation criteria for vendor claims:** For any market engagement, require evidence of production deployments, clear architecture for data processing, and defined performance metrics. Pair this with demonstrations designed around your actual workflows, not generic capability showcases.
- **Build workforce verification habits:** Introduce practical micro-training that focuses on safe use, verification, disclosure expectations, and how to avoid over-reliance on AI outputs, particularly in policy and regulatory work.

MEDIUM-TERM GOALS

- **Implement stage-gated procurement pathways:** Formalise an approach such as RFI → RFQ → pilot → evaluation → scale, with decision points tied to risk, performance, and evidence.
- **Develop cost-to-serve baselines for priority processes:** Expand activity-based costing or process measurement for high-impact functions to strengthen business cases and benefits realisation.
- **Establish risk-tiered AI governance:** Create tiers that distinguish low-risk automation from high-impact decision support. Include clear escalation thresholds to senior governance bodies.
- **Pilot cross-agency reuse by function:** Form small, practical communities of practice around shared use cases (for example, redaction and release, audit triage, search and discovery) to reduce duplication and speed discovery of proven approaches.

LONG-TERM VISION

- **Create a shared “use-case library” across jurisdictions:** Maintain a living catalogue of proven and emerging AI use cases, including performance notes, risk settings, and implementation patterns, with emphasis on low-sensitivity, high-reuse functions.
- **Embed AI assurance into standard delivery:** As AI becomes embedded in all platforms, evolve assurance so it is integrated into normal ICT governance, cyber controls, and risk management rather than treated as a standalone novelty.
- **Align statutory and policy settings with digital realities:** Where legislative timeframes and evidentiary requirements are incompatible with modern data volumes, pursue reform pathways that maintain accountability while enabling modern operating models.
- **Strengthen public trust through transparency and accountable use:** Over time, trust will depend on consistent disclosure practices, auditability, and the ability to explain how AI-supported processes influence outcomes, especially in high-impact public decisions.

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.

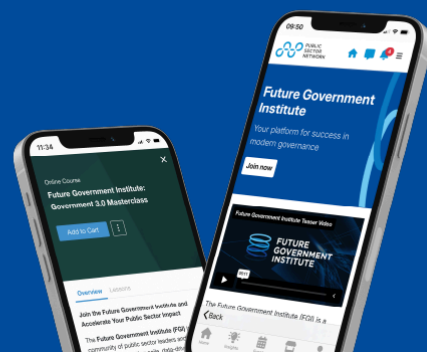
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PSN's growing community spans across federal, state, and local government departments, healthcare, and education, allowing members to share information, access the latest in government innovation, and engage with other like-minded individuals on a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

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