

7 DECEMBER 2020

# SELLING TO GOVERNMENT

## SURVEY RESULTS



## **Selling to Government Survey Results 2020**

InnovationAus tested the temperature of technology suppliers and potential suppliers to the government sector with a survey conducted over a 10-day period (20–30 Nov 2020). We wanted to find out how the procurement machinery in government is working.

We have previously run surveys on government procurement. Our previous efforts – most notably in 2017 – were immensely illuminating, as much for the tenor of the commentary as for the raw data.

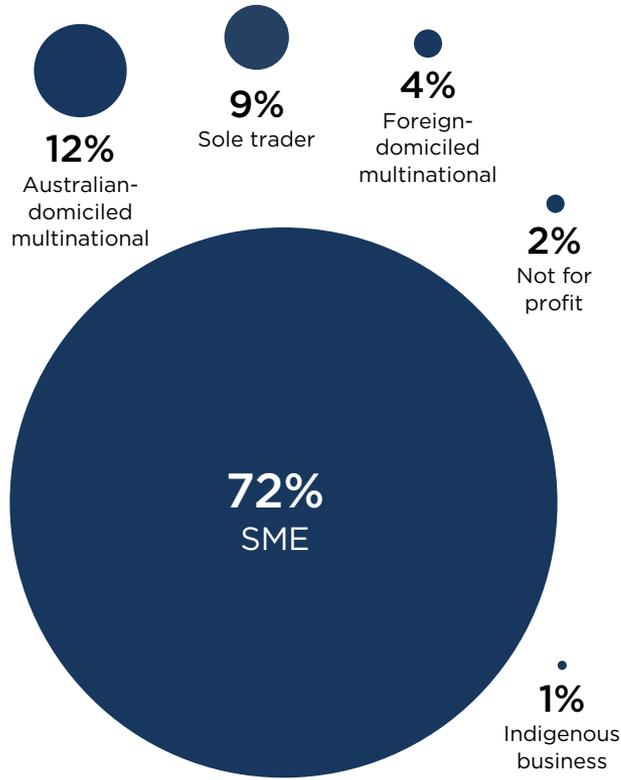
The survey is intended as a positive contribution from InnovationAus to the ongoing discussions about government use of technology.

Exactly 92 respondent completed this survey and here are the findings.



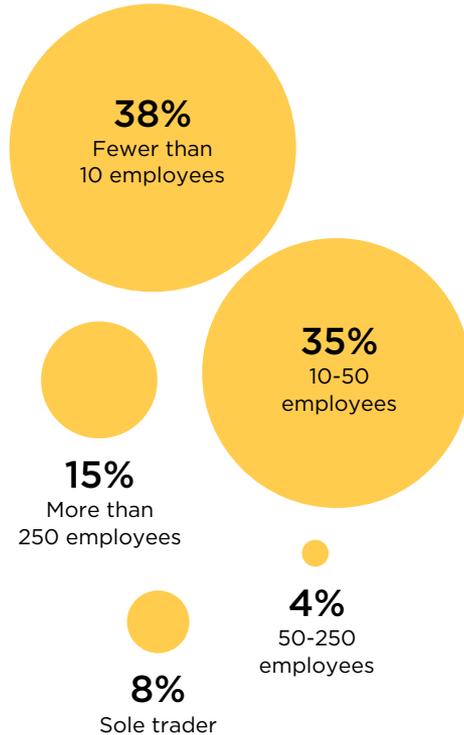
QUESTION 1

What best describes your organisation?



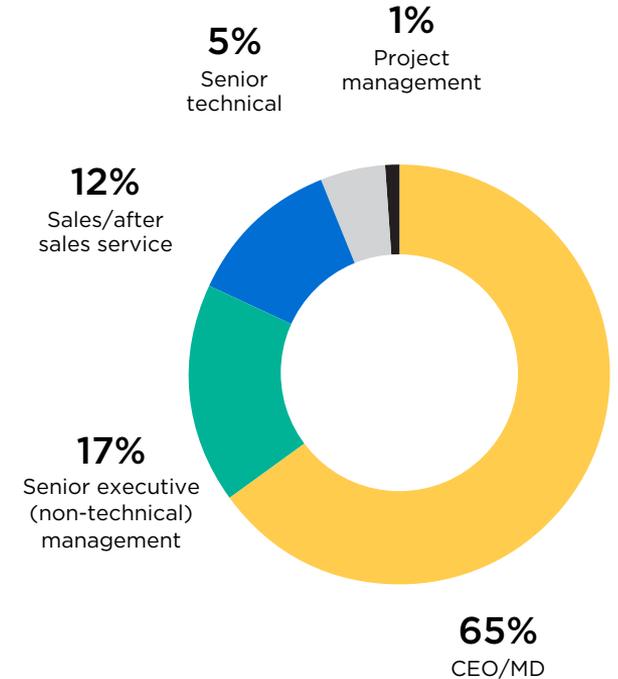
QUESTION 2

How many employees are there in your organisation?



QUESTION 3

What best describes your role within your organisation?



QUESTION 4

What area of the technology sector does your organisation derive the most revenue from?  
(based on DTA marketplace & data.gov.au metadata)



**36%**

Software,  
infrastructure  
as a service



**20%**

Strategy,  
User research,  
Design, Advisory



**20%**

Software architecture,  
engineering  
& development



**7%**

Training, Learning  
& Development



**7%**

Telecommunications  
(equipment  
or services)



**5%**

Labour Hire, Personnel,  
System integration,  
Project management,  
Maintenance & support



**5%**

Cybersecurity

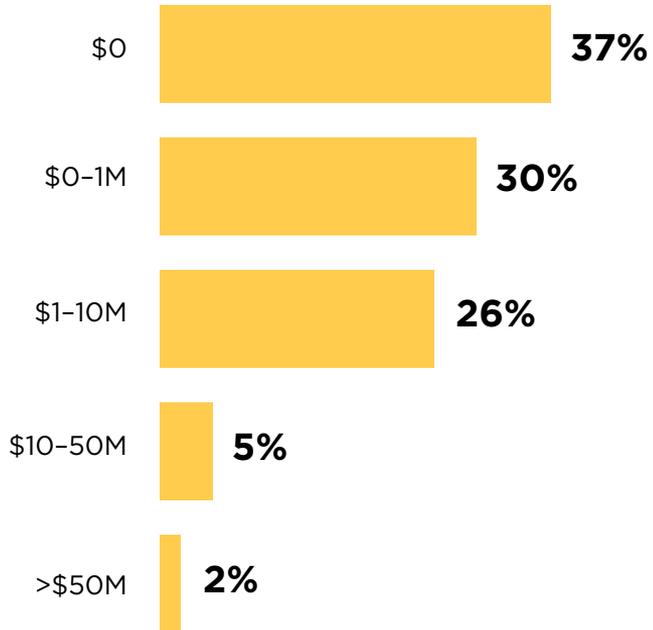


**1%**

Hardware,  
Infrastructure

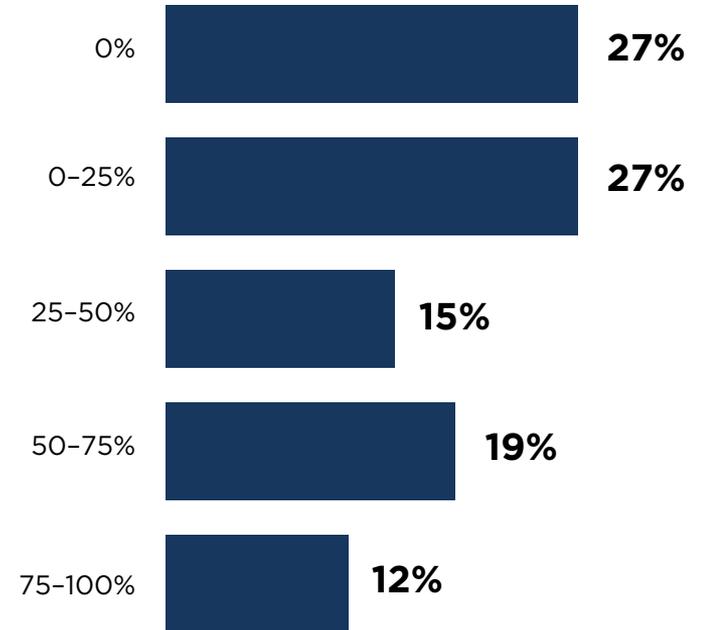
QUESTION 5

How much have you sold to state or federal government in the past 24 months?



QUESTION 6

What percentage of your organisation's revenue derives from government contracts?



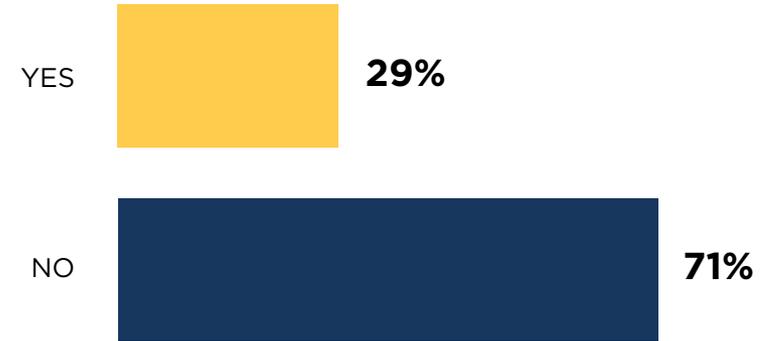
QUESTION 7

Are you registered as a seller on the federal government's Digital Marketplace?



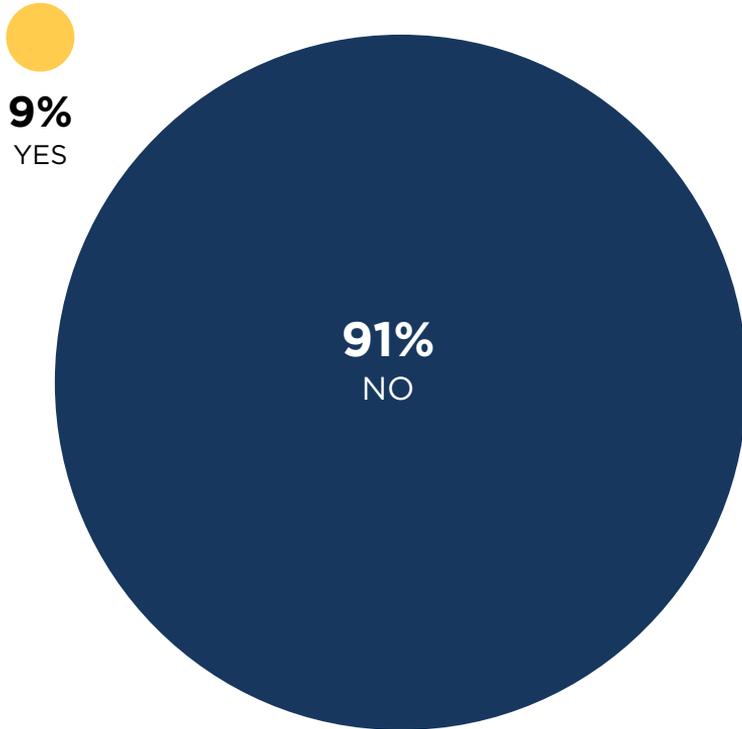
QUESTION 8

Have you applied for any opportunities via the Digital Marketplace in the past 12 months?



## QUESTION 9

Have you successfully sold a technology product or service through the Digital Marketplace in the past 12 months?



### COMMENTS

1. Currently shortlisted for an "open to all" opportunity. But most opportunities now are only offered to a buyer-selected bid list. The Marketplace was designed to connect more SMEs to government by making government opportunities visible and easy to apply for. Marketplace now works like a traditional panel. The opportunities themselves are increasingly only identified by a reference code and details aren't visible to sellers who have not been invited.
2. The Digital Marketplace is being mainly used to recruit individuals and teams, and much less for procuring products and services. We aren't a recruitment or placement agency, so the Digital Marketplace is not a good source of opportunity.
3. Complete waste of time. We are tired of wasting resources in responding to cold RFP's. Unless you have a solid relationship and effectively 'sold' your solution to the agency in question, the decision has already been made by the time that the opportunity reaches the Digital Marketplace.
4. We had success selling through the Marketplace 12-24 months ago, no luck in the past 12 months. Feels like a lot of consulting work is going to Big4 types, particularly where the DTA is involved as a decision maker.
5. We have applied on many occasions but have never been able to get feedback. We are often also overlooked to even apply for work that we feel we could do, resulting in us unable to apply.

QUESTION 10

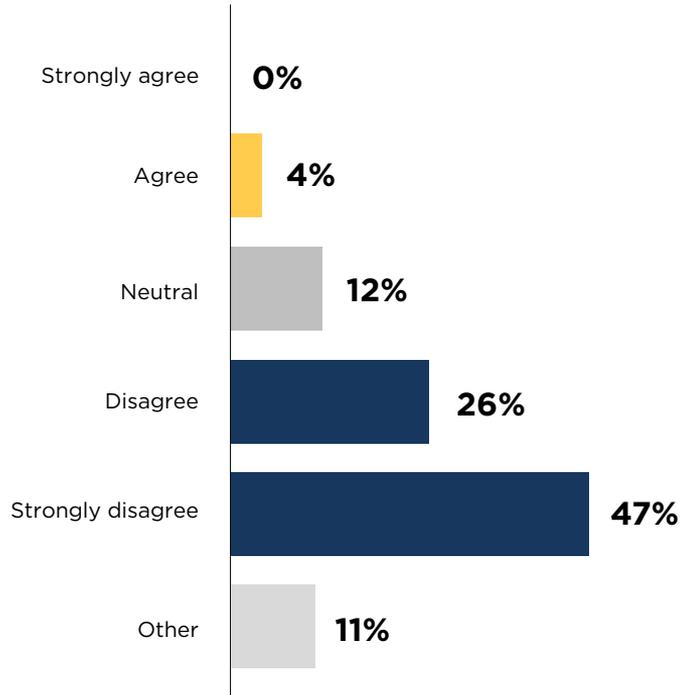
What has been the most successful channel selling into government in the past 12 months (e.g.: Digital Marketplace, panels, Aus Tender etc.)?



Many of the respondents listed a combination of panels, tenders and also subcontracting to agencies or suppliers as being the most common ways to sell to government. Ultimately though, the most prevalent theme from respondents was that a pre-existing professional relationship with someone in government is the most important single factor in successfully selling to government.

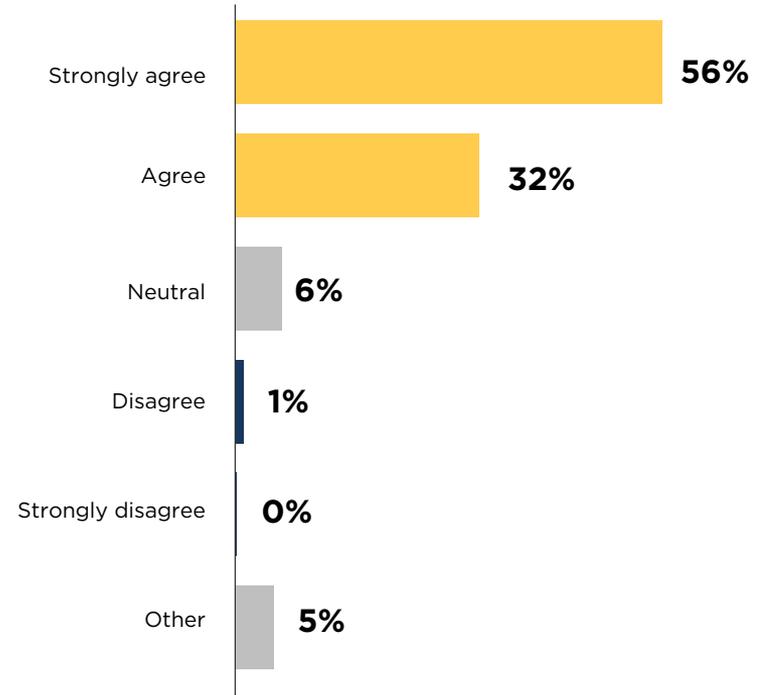
QUESTION 11

The process for selling technology into the federal government is simple and transparent.



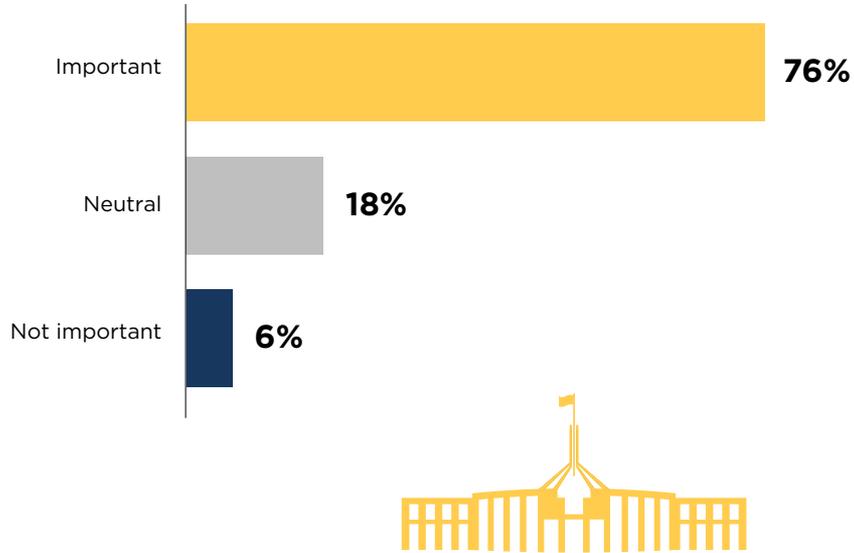
QUESTION 12

The federal government favours larger multinational technology providers over Australian providers of technology.



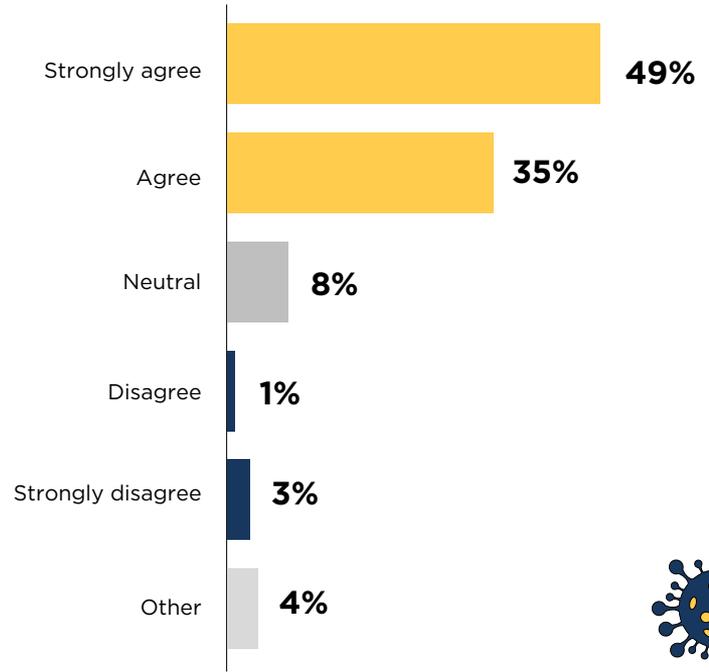
QUESTION 13

For companies that have successfully sold tech products or services to government: How important is having a government customer as a reference site in building out your business into other markets?



QUESTION 14

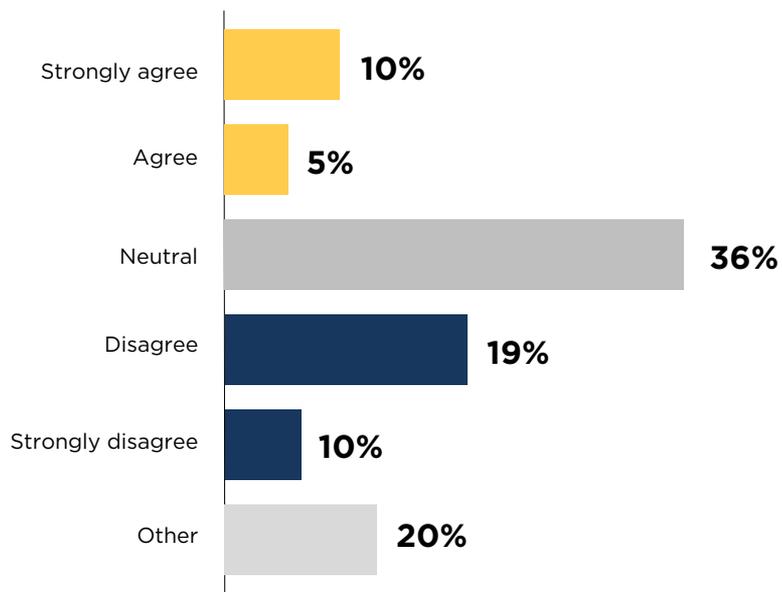
The COVID-19 pandemic has exposed weaknesses in Australia's technology supply chain, and gaps in Australian capability.



## QUESTION 15

### Government's 'mission-based' approach to solving challenges will make it easier for startups and tech SME's to sell into government.

This question was somewhat misunderstood by most respondents. Some were not aware of the "mission based" approach.

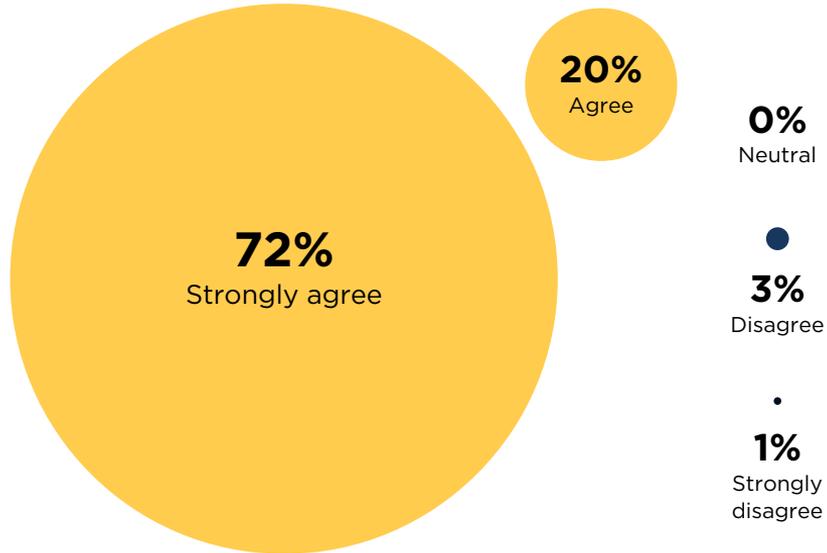


#### COMMENTS

1. I don't know enough about the mission-based approach.
2. Never heard of it, so it can't be successful.
3. The jury is still out. Too many departments will want total control and therefore are not adaptable enough to take advantage of anything that does not come from the big multinationals who also use this model. The whole Budget process is also ridiculous.
4. Way too early to tell. I suspect most procurers can't spell "mission" much less understand the full potential of this approach and its procurement implications. We'll see...
5. Not sure what 'mission-based' means in this context.
6. There is no such thing as Government's 'mission-based' approach. Nothing will change, other than to deteriorate. The correct noun is "bureaucracy" rather than government, which is a political entity. The issue is the APS and procurement staff, not the political class. InnovationAus frequently publishes article detailing the DTA awarding no-bid contracts and huge contract variations (increases) without scrutiny. References to a 'mission-based' approach are simple APS-speak. The term has no meaning.

QUESTION 16

**Governments in Australia should use their significant purchasing power as an instrument to help build a strong Australian technology sector, a strong sovereign tech industry capability.**



**COMMENTS**

1. Disagree, it needs to be considered on a case-by-case basis. To spend exorbitant amounts on building bespoke systems that is hard to maintain and keep up to date is not the best use of tax payer's money. To invest in skilled resources to master technologies is a better investment and to build COTS Australian systems would be fantastic too. To invest in innovative Australian technologies are ideal but re-inventing the wheel doesn't make much sense.
2. But let us not go back to the "golden Menzies era" when tariffs were used as a barrier to outside competition, because that is what ultimately killed Australian Industry.
3. Broadly yes, but there is little value in using that power as a shield; if it becomes a spur to innovation and performance for local players, that's fine. Always a fine line in any kind of "strategic" play in this space.

## QUESTION 17

### What can governments do to improve the way it buys technology to ensure it delivers impact for citizens, provides value to taxpayers, and supports the tech industry?

1. Consistently establish, measure and embed outcome-based KPIs in tech enabled initiatives for all three. Consistent early market engagement process for solutions requiring a greater degree of innovation. Invest in and incentivise domestic industry technical skills development for young people.
2. I have a solution for the coal industry from my work in 2012 Green Car Industry. My work could turn every coal fired power plant worldwide into an absorption facility with nil emissions, five times more energy and possible billions for Australia in the new green deal. I have submitted many times to Government, CSIRO & other agencies, but have only been told they are not interested.
3. An earlier question was about the ease and transparency of selling to government. Both are areas of concern for Australian technology companies. Over the past couple years, and more so since COVID, we have become aware of digital solutions that the government is implementing with limited transparency and openness as to how digital partners were selected to participate or the ROI they are expected to achieve for citizens. The use of Drupal as a platform of choice in many states as well as the recent GovDXP platform being done in partnership with Deloitte are two examples. In both these examples, large multi-nationals were chosen to delivery high value solutions without (to my knowledge) an open sourcing process to test the market for the best

solution that would deliver the best return on investment. While I agree with the “theory” of the Digital Marketplace and the Digital Sovereign Procurement Taskforce in NSW, to date I have not seen it being used to deliver a noticeable shift in the way governments buy technology. If the Australian government wants to support the Australian technology sector, it needs to be more transparent in how they are making decisions to select digital solutions and provide honest feedback to the industry as to why they are selecting specific technologies or partners.

4. Provide transparency of spend and opportunities. Understand that the convenience to buyers of panels distorts the competition market and is a barrier to credible entry by new players.
5. Through tax incentive which already in place and by subsidy.
6. Have customer focused design and evaluation processes.



## QUESTION 17

### What can governments do to improve the way it buys technology to ensure it delivers impact for citizens, provides value to taxpayers, and supports the tech industry? *(cont'd)*

7. Mandate Australian developed, Australian owned, as first choice, especially in key areas (e.g. cyber or aerospace) to encourage Australian investment in sovereign capability development, as is the case in every other developed country. Australia, for example, is the only developed country that buys critical technology from foreign primes that do very little their technology development in Australia. Then mandates that Australian SMEs shall subcontract to those primes, rather than require that foreign suppliers shall without exception form local partnerships if they wish to sell anything locally. Those Australian owned, Australian operated companies shall have skills and technologies transferred to them as a condition of doing business in Australia. The Americans do it. The French do it. The Italians do it. The Brits do it. The Germans do it. We don't. Secondly, remove foreign organisations such as KPMG and BCG, who are known to favour foreign owned suppliers, from the decision-making processes relating to technology acquisitions, and instead develop sovereign decision-making capability. And that's just two off the top of my head.
8. A more open process.
9. We are often told that price is a major decision criteria. Small organisations are not able to compete against large organisations on price. However, larger organisations are not as innovative or deliver the value. Having this valued as part of the decision process would be beneficial.
10. Minimum level of transparency: all contracts for all work that is awarded and to who is published. Figure out what the 'so called risk is' of whoever claims there is risk working with smaller companies and remove it. Quotas: Set minimum percentage for each department that they must commit to smaller and/or Australian companies. Change this after a few years if its works. Apply an agile/lean approach to procurement and legal (this is very doable). Apply an agile/lean approach to budgeting and release of funds to reduce risk for staff/employees that then enables them to work with smaller companies.
11. Government should not run a top-down central control model in healthcare sector, such as NSW Health which is completely hopeless in terms of introducing any innovative technologies. User-driven technology and a decentralised model will work much more efficiently. As all the nurses said to me, there is no innovation from top management who only care their budget and do not care about staff.



## QUESTION 17

### What can governments do to improve the way it buys technology to ensure it delivers impact for citizens, provides value to taxpayers, and supports the tech industry? *(cont'd)*

12. Add weight to criteria such as Australian HQ (i.e. for tax purposes), number or proportion of staff locally employed, proportion of domestic R&D investment especially on larger contracts.
13. Ensure there is a path so all new start up technology is tested and trialled for viability. As a small startup that is very difficult.
14. Streamline and unify the certification process for classified data handling (IRAP) and optimise the program for cloud service. Support the clearance process. Agencies are reluctant to facilitate clearance for vendors. And also who actually requires clearance? Recognise local capability as being closer to local challenges. Recognise the capability of smaller, more agile organisations who can better understand challenges and support buyers end-to-end. Support education about the requirement of security and follow through with programmes for actually meeting those requirements.
15. It has to change the cultural cringe attitude of procurement people, and enable access to procurement opportunities (instead of grants etc.) This will not happen. That is why we are moving to the USA.
16. Be more transparent with their purchasing policies and decision making.
17. It should stay out of competing with private enterprise as it has done with, for example, govcms.gov.au. Instead, it should focus on strong financial incentives and support, plus being a good, smart regulator of tech to ensure high quality outcomes.
18. Make it easier to promote products and services to government departments and agencies.
19. Give audience to developer companies. Let them demonstrate their systems and explain the strategy. We have next gen web mesh- digital credential system. Prior to this latest phase we tried to address aged care, social isolation, but got nowhere. Now we address decentralised trusted digital credential systems with a world first multi node, multi chain meshed system.
20. Reduce unnecessary barriers to dealing with smaller and more innovative solution providers e.g. three years of financial stability to be on a panel. But most importantly set strong top-down direction that local and small business should be considered a positive in evaluations rather than a negative as is currently the case.
21. Broaden the search for organisations in the procurement process and stop just hiring the big four.



## QUESTION 17

### What can governments do to improve the way it buys technology to ensure it delivers impact for citizens, provides value to taxpayers, and supports the tech industry? *(cont'd)*

22. Buy on the merits of the product or service, and not just the brand name.
23. Restrict 'open to one' procurement through the DTA Marketplace.
24. Governments see themselves as different to the commercial space, they're not. Businesses focus on solving business problems and to provide exceptional customer service to their customers. Governments struggle with legacy, out of support systems, infrastructure etc and don't get ahead to focus on their business problems that need solving. State governments are heading towards a citizen centric model, which is good to see and will greatly improve the impact to citizens, provide value for taxpayers and inadvertently will support the tech industry more efficiently.
25. It should not only actually award contracts to Australian SMEs, but actively advertise that they do and advocate for industry to do the same.
26. Take the time to properly understand and have a meaningful interest in the investment. Procurement are often seen to be ticking a compliant box and not able to go into the details.
27. Get out of the way of private businesses. Don't play favourites when doing the tax system.
28. Actually commit to buying/experimenting with Australian based products and services.
29. Work closer with the startup economy. Invest in R&D for scale-ups.
30. Support niche players.
31. Consider smaller businesses for strategic and visionary work, rather than larger consultancies. These small businesses are subject matter experts that can provide exceptional advice to government on the best delivery of technology as well as providing much better value to taxpayers. Unfortunately, government tends to view the Big Five and larger businesses as an 'insurance premium' without considering the value they are missing out on from taking this risk averse approach.
32. Buy local but only if competitive.
33. Financially support Australian companies, including SMEs and startups by buying from preferentially rather than from established overseas suppliers. This is what France, Israel and Germany does.



## QUESTION 17

### What can governments do to improve the way it buys technology to ensure it delivers impact for citizens, provides value to taxpayers, and supports the tech industry? *(cont'd)*

34. Need for a change in the value proposition and not to make sure that it maintains the status quo and the pre-COVID19 MO. The social and environmental benefits should be included in any impact. The whole consultant industry needs a shakeup and a simplification. No one reads 200-page report, nor 150-page Executive Summaries. The Big Four accounting firms are too inflexible. Systems are not open and transparent.
35. Report on measures and define some targets for all of the above, e.g. Australian ICT jobs by 2030 (across all sectors) Develop a platform ecosystem for G2B2C that encourages more innovation that solves customer problems and delivers value closer to the coalface (e.g. stop building so much G2C in-house and focus more on standards, regtech, api and data). Use consumer power to encourage local solutions to global problems.
36. Become much more curious and intelligent about the market place, its players, and being prepared to invest that curiosity and intelligence in more sophisticated relationships with the market. Over 20+ years, my observation is that still too often the relationships are crude, clunky, and meagre. Usually two extremes; formalistic and “tenders only” or too “close” bordering on the corrupt in both the loose and formal sense of the word.
37. Make it so that x% of everything they buy in tech has to be from an Australian owned and controlled entity and y% of everything they buy has to be from an Australian owned and controlled startup. For contracts where Australia doesn't have the capability, encourage foreign and local investors to back the local company with investment so they can deliver the contracts in return for tax breaks and importantly guaranteed sales (contracts) from the government as long as the company can deliver. Help remove the “nobody got fired from buying IBM” culture by implementing the first two points. This could be done with internal local and federal government awareness marketing campaigns combined with the % requirements in the above points.
38. Require that procuring departments provide public, auditable justification for any decision *not* to invest in local SME technology/services if a local SME bids on an opportunity.
39. Simplify procurement processes; for a SAAS vendor reduce/eliminate loadings for local suppliers. This precludes getting best value for money. Look at internal govt IT departments whose practices are often inefficient, cumbersome, and drastically reduces delivery time for SAAS products. We have seen some truly appalling instances here in WA which offends as taxpayers let alone as vendors.

## QUESTION 17

### What can governments do to improve the way it buys technology to ensure it delivers impact for citizens, provides value to taxpayers, and supports the tech industry? *(cont'd)*

40. Buy Australian, publish data on how much they're spending and where that spend is going. Are products and services procured from Australian-owned and based companies? Provide diversity data on whom they're buying from (e.g. if it's a government priority to increase female participation in STEM how about publishing the per cent purchased from female owned companies).
41. Use Australian owned and operated companies to keep our data sovereign.
42. Stop competing with private sector. They tend to build themselves in-house or through contractors rather local off the shelf.
43. It is frustrating to see the large established technology providers continually win bids. It is also clear from the media and other channels that many of these engagements produce varying results. We feel if there was more trust, or risk mitigation strategies to include smaller businesses who are hungry for this kind of work and who *must* deliver outstanding results in order to build their business, everyone would be a winner. Some ideas for risk mitigating strategies: pilot/proof of concept-based projects that have a commitment by the purchaser to scale up if successful. Create a two-stage procurement process. That is, the first part is a short form application with product overviews etc. Purchasers can shortlist and if applicable schedule demos. Vendors with exciting products can be invited to the more comprehensive second phase application. This

approach lowers the investment required to engage in the procurement process and in our opinion may present new ways of working or approaching problems for purchasers. Ideas for procurement evaluation: don't base company capability on the head count of its group. For example we hire very senior developers and have the capacity to scale up resourcing on demand. Sometimes it feels we can be excluded based on the sheer number of employees or turnover of the business. Be more explicit about the requirements or the assessment criteria of a startup to be successful for each bid. For example minimum turnover required is \$10m. Do they have to be based in Canberra? In such a scenario we would have to find another partner to submit the tender. Knowing this in advance would save both parties, vendor and purchaser a lot of time. Introduce a buy local policy like the QLD government.



## QUESTION 17

### What can governments do to improve the way it buys technology to ensure it delivers impact for citizens, provides value to taxpayers, and supports the tech industry? *(cont'd)*

44. Make the tendering process easier for SMEs. Mandate quotas and preferences for local SMEs.
45. Be more open to partnership arrangements that involve more than one supplier if required. Clarity around project scope is critical to success. More time needs to be spent on the front end.
46. Price sovereign risk into procurement more thoroughly than it prices the risk of doing business with small businesses Also ensuring their contracts have provisions that professional indemnity insurers will cover.
47. It needs to become the First Customer. That is how Silicon Valley came to be and is how all tech savvy nations maintain their lead. Australia is effectively in a subordinate relationship to EU and US nations.
48. Bring local companies in to problem conversations. Have Whole of Government agreements for Australian companies as well as MNCs. Set targets for local procurement. Calculate retained economic benefit in “value for money”.
49. Simplify the tender process. Too cumbersome and costly at present. Eliminate RFP’s as a price discovery process. Consider adopting blind tenders to remove large company bias in evaluations.
50. Stop listening to tier 1 consultancy practices who only have a vested interest in their own revenue.
51. Not expect us to sign up to onerous supply contracts that drive all of the value out of what we do and try to turn everything into a commodity. Procurement rules that drive towards the lowest cost and zero risk for the government, often mean local businesses just can’t compete.
52. Give priority to Australian SME market to grow it.
53. Procure solutions from tech startups and SMEs on fair terms that deliver value for the government but also enables the provider to have opportunity to grow and become sustainable domestically and globally.
54. Use references and outcomes-based procuring more. Make the purpose of procurement to get the best supplier at a competitive rate, not just detailed compliance with highly complex processes and policies many of which are not relevant to small suppliers.



## QUESTION 17

### What can governments do to improve the way it buys technology to ensure it delivers impact for citizens, provides value to taxpayers, and supports the tech industry? *(cont'd)*

55. Eliminate closed procurement panels. As new providers try to enter into government markets, the requirement to be an approved panel member on a panel that only opens every few years and restricts new providers from providing services to the government. Prequalification is necessary and saves time for government procurement, however restricting new providers from becoming pre-qualified hurts both the new suppliers and the government purchasers who miss out on new innovators entering the market. I believe that panel agreements should always be open to new providers to apply to join ensuring that new providers are not locked out of a market for multiple years.
56. Continue to focus on Australian business content. Continue to invest in local skills development. Seek value not price.
57. An actual dedicated understanding of how much effort SMEs have to put into tenders etc would be good. And a concierge system to help them. There's a lot of great nimble businesses out there that could be helpful. And price is often a lever SMEs can offer, but that is often seen as a negative rather than a positive for government.
58. Give small businesses a go. Change the systems to support a new way of understanding, assessing and implementing a provider. Be willing to take risks and try something new. They are so afraid of making a mistake, it's stifling anything new. It's exhausting to keep trying, no wonder so many companies give up!
59. Review case studies of business who have experience outside of Australia. Open up to anyone to apply, don't restrict and apply the "selected" option. Try new companies out on smaller work.
60. Provide incentives for business to utilise and support SME.
61. Set up specific gov-startup funding so public servants don't freak out "not buying from IBM". Massive culture change is needed. Public servants need a third party to select the Aussie SME as they don't know how.
62. Buy the technology we create. That's far more useful than a grant.
63. Buy local first. Make it easier for SMEs to compete in procurement processes by not focusing on size but fit instead. Do not allow local vendors to be undercut by overseas tech giants like Salesforce, Microsoft, Google, Oracle etc. Take measured "risks" to assist local SMEs to grow into tomorrow's big firms.



## QUESTION 17

### What can governments do to improve the way it buys technology to ensure it delivers impact for citizens, provides value to taxpayers, and supports the tech industry? *(cont'd)*

64. Perhaps open their minds that there are solutions out there that are not made by the large multinationals. That solutions can come from Australian startups that can be scaled and more effective than the normal ways of doing things.
65. Give additional weightage to Australia SME or collaborations where Australian SMEs are involved.
66. Actively recognise "buying Australian" as a part of procurement to overcome deep seated cultural cringe.
67. Governments do not buy technology. Procurement staff buy technology. It is a bureaucratic matter. The performance of procurement staff must improve. This is the place to start. However the APS and wider bureaucracy have been trenchant in their opposition to training staff for many years. Low quality procurement officers ensure that it's like taking candy from babies for the big players. In my darker moments I suspect that procurement staff intend to be done over to curry favour with their potential future employers.



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