

THE GOVERNMENT PRODUCTIVITY REPORT



> A REPORT ON THE ATTITUDES OF
GOVERNMENT ORGANISATIONS TOWARDS
IMPROVING PRODUCTIVITY, EFFICIENCY
AND PERFORMANCE IN AUSTRALIA

AUGUST 2009

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FOREWORD

Australia's long-term prosperity is dependent on ongoing national productivity improvements by governments, businesses and individuals.

In February this year, Telstra launched its inaugural report: *The Telstra Productivity Indicator*, a detailed survey on the views towards productivity held by 300 leaders in Australian business and government organisations.

The participation, interest and positive response from the government sector to this initial report encouraged Telstra to broaden its research through an additional survey of 200 government executives across federal, state and local government.

The Telstra Productivity Indicator also identified a significant productivity opportunity – the ability for Australian organisations to drive productivity improvements at the individual, workgroup and enterprise levels through investment in network-centric information and communication technologies (ICT).

The government sector's participation in, and interesting and positive response to, this initial report encouraged Telstra to broaden its research through an additional survey of 200 government executives across federal, state and local government.

The findings of this research are presented in *The Government Productivity Report* that is detailed in the following pages.

The Government Productivity Report shows that productivity, defined as "working differently and smarter to deliver better services, faster and to more people, reducing costs and utilising assets better", ranked just as highly for the public sector as it did for business. The productivity gap in the public sector is, however, more pronounced than that identified across other organisations, with a much lower percentage of government organisations able to articulate metrics used to measure productivity improvements compared with the private sector.

The productivity opportunity for government is highlighted by the fact that over half of government organisations saw investment in ICT as an important driver in improving productivity, efficiency and performance within their organisation. In the current environment of resource constraints, the ability of network-centric ICT to deliver targeted and measurable productivity gains can ensure that these resources are delivered effectively where they are needed most.

The following report has been produced in response to your feedback to Telstra, and I believe it provides valuable insights to help local, state and federal governments close the productivity gap and fully maximise productivity potential.

Welcome to *The Government Productivity Report*.



Mr David Thodey
Chief Executive Officer
Telstra

1.

EXECUTIVE SUMMARY



The objective of the survey was to discover how government organisations approach productivity and efficiency, and to investigate the link between information and communications technology (ICT) and its role in improving efficiency and performance.

Do organisations measure productivity, efficiency and performance? How is it measured? Is the organisation, the workgroup or the individual the focus for productivity, efficiency and performance within government organisations? What role does ICT play in enabling improvements? Are government organisations optimistic or pessimistic about the future?

These were just some of the questions addressed in *The Government Productivity Report*.

1.1 Key findings of the report

1. Improving productivity is the major priority for government organisations – followed by service delivery, cost cutting, risk management and attracting staff.
2. While government organisations see productivity as important, only 40% can articulate the hard measures they use to quantify productivity gains or improvement.
3. There is a significant gap between the importance placed on productivity and demonstrable measurement of productivity within government organisations.
4. Productivity tends to be seen as a whole-of-organisation responsibility rather than the responsibility of an individual or group – but this lack of individual or smaller group responsibility means that often there is no-one in an organisation to champion productivity gains.
5. Despite this lack of responsibility, ICT is seen as a critical driver of productivity, now and into the future, with broadband and faster network speeds bringing offices and people together.
6. Information technology is recognised as a critical driver of productivity, and it is worth noting that those who report significant increases in productivity are likely to be early adopters of new technology.
7. In particular, investment in broadband is seen as a major driver of enhanced productivity.
8. ICT investment is seen as having contributed substantially more towards improving productivity in government organisations than non-ICT investment.
9. Turning to the future, most government organisations expect to see improvements in productivity over the next 12 months and many place a high priority on ICT investment to help drive productivity gain.
10. However, because of budget constraints many place as much, if not more, emphasis on getting the most out of ICT already in place rather than investing in new technology.

1.2 Methodology

Telstra commissioned Sweeney Research to conduct a survey in April 2009 of 200 senior executives in government organisations who were familiar with the workings of their organisation.

Two hundred confidential phone interviews were undertaken of Australian government organisations within:

- Federal Government (26%)
- State Government (34%)
- Local Government (25%)
- Statutory Organisations (16%)

The phone interviews used a comprehensive questionnaire exploring the participants' understanding of how they measure and drive productivity, efficiency and performance within their organisation; their attitudes towards new technology; the impact of new ICT on their organisation; their investment priorities; and the barriers to change within government organisations.

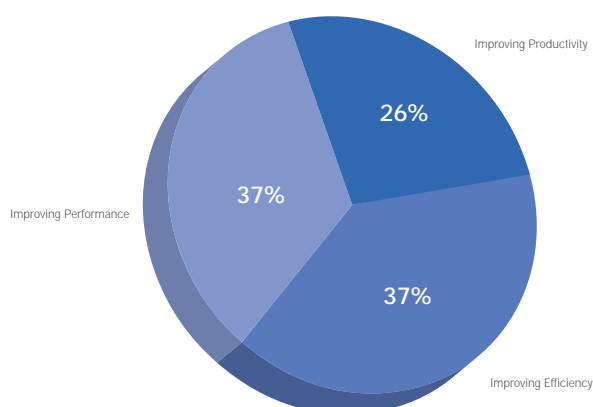
Before beginning the interview Sweeney Research explained to participants that the survey was about working differently and smarter to deliver better services, faster and to more people; reducing costs; and utilising assets better.

Based on *The Telstra Productivity Indicator* released in February 2009, it was recognised that government organisations use different words to describe these types of objectives.

To ensure the survey made sense to the participants and was easy to complete, they were asked to choose the word they felt best described this objective, and that was most commonly used in their organisation. This word was then used throughout the survey.

This survey picks up many of the issues covered in *The Telstra Productivity Indicator* released in February 2009 and looks in more detail at the attitudes and priorities of government organisations.

Chart 1.1.1 Words used to define working differently and smarter to deliver better services, faster



2.

*FINDINGS –
PRODUCTIVITY IN
GOVERNMENT ORGANISATIONS*

2.1 The place of productivity, efficiency and performance in government organisations

Improving productivity ranked as the highest future priority for government organisations – ahead of delivery of frontline services and reducing costs.

This shows the important role productivity plays in government organisations as they aim to deliver high-quality services within budget.

Federal Government places the highest emphasis on improving productivity, with reducing costs also a notably higher priority than their counterparts in State and Local Government.

By contrast, State Government and Statutory Organisations place greater emphasis on service delivery, with delivering better frontline services the greater priority.

In the survey, organisations who reported significant, moderate and little or no productivity gain in the last 12 months were identified. Those who have seen significant gains continue to place greater emphasis on continued productivity improvement.

By way of comparison, those that have seen only a little or no increase in productivity are generally less likely to have a strong focus on future productivity gains.

Chart 2.1.1 What are the priorities in your organisation?

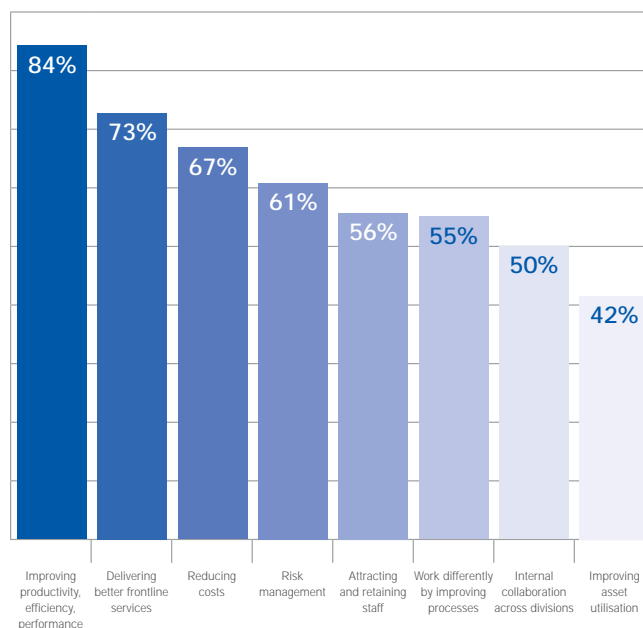


Table 2.1.2 What are the priorities in your organisation?

Analysis by organisation type and productivity increase in last 12 months

	Total	Organisation type				Productivity increase last 12 months		
		Fed Govt	State Govt	Local Govt	Stat. Orgs	A lot	Moderate	Little/ Not at all
Improving productivity, efficiency, performance	84%	88%	82%	80%	74%	92%	86%	76%
Delivering better frontline services	73%	63%	87%	76%	77%	87%	71%	67%
Reducing costs	67%	75%	58%	66%	55%	75%	69%	60%
Risk management	61%	63%	61%	52%	61%	80%	61%	51%
Attracting and retaining staff	56%	56%	57%	48%	61%	64%	49%	56%
Work differently by improving processes	55%	52%	60%	56%	55%	65%	54%	48%
Internal collaboration across divisions	50%	50%	51%	50%	48%	66%	51%	35%
Improving asset utilisation	42%	40%	43%	52%	35%	53%	40%	33%

■ Considered most important by priority type

2.2 Is productivity, efficiency and performance measured?

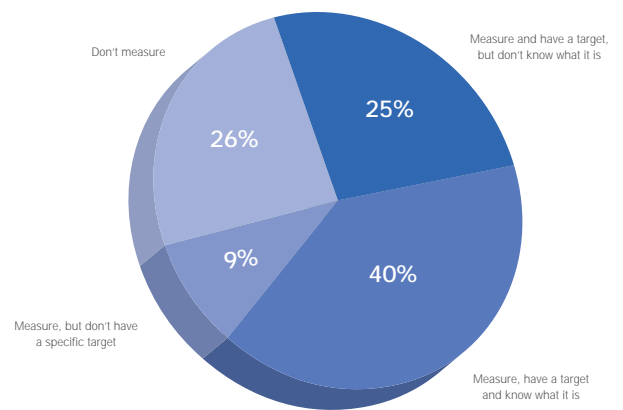
Seventy-four per cent of organisations claim to measure productivity within their organisation. However, only 40 per cent have demonstrable measures for productivity.

This means that 60 per cent of government organisations either do not set specific targets, or have specific targets but don't know what they are; or they simply do not measure productivity at all within their organisation.

There is clearly a productivity gap: a disconnect between expectations and actions.

Closing this gap presents a great productivity opportunity. Armed with the tools to properly measure productivity, government organisations would be better able to properly drive and guide productivity and investment within their organisation.

Chart 2.2.1 Articulating measurements and targets for improving productivity, efficiency and performance

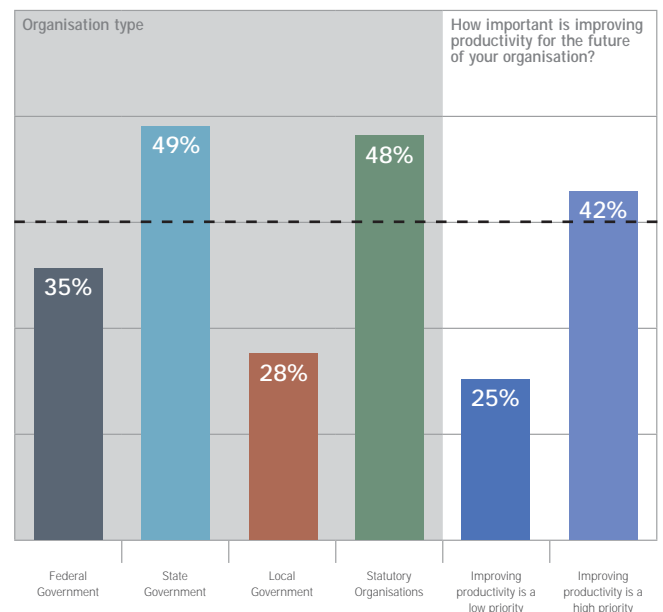


A higher percentage of respondents from the State Governments and Statutory Organisations have hard measures for productivity, with around half being familiar with the measures used within their organisation – therefore having a smaller productivity gap. By contrast, representatives of Local Government organisations are the least informed, with less than three in 10 familiar with the targets used within their organisation.

Not surprisingly, those organisations where improving productivity is a low priority are less likely to have specific hard measures for quantifying improvements than those for whom improving productivity is a high priority.

Chart 2.2.2 Have hard measures to quantify improvement in productivity, efficiency and performance, and know what these measures are

Analysis by organisation type, and importance of productivity for the future of the organisation



— Across all organisations, 40 per cent have a hard measure and know target for productivity

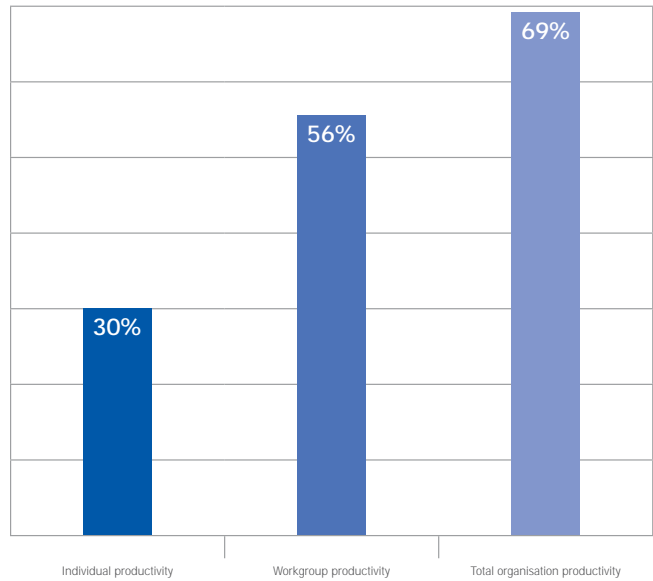
2.3 Is organisational, workgroup or individual productivity the focus?

For the most part, the focus for productivity, efficiency and performance improvement is at a total-organisation level, with over two-thirds (69 per cent) of government organisations seeing this as the focus.

Compared to earlier research in *The Telstra Productivity Indicator*, government organisations have a stronger focus on total organisation productivity, and place less importance on individual productivity compared to their private sector counterparts.

A total-organisation approach, at face value, ensures implementation of productivity improvements across the board. However, this means that many organisations have no individuals or small groups in a position to champion productivity gains.

Chart 2.3.1 Focus for productivity, efficiency and performance improvement within organisation



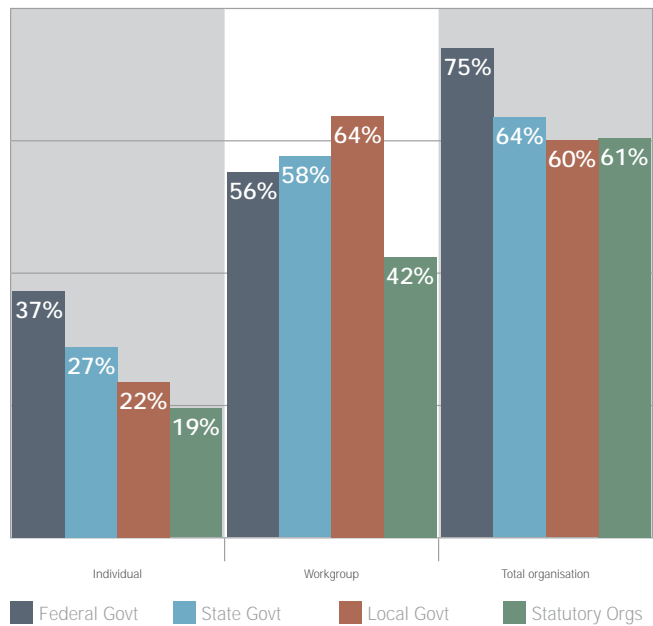
NB: Respondents were allowed to give more than one answer to this question

Across different government subsectors, Federal and State Governments are more likely to place a focus on the total organisation with regard to opportunities to improve productivity, efficiency and performance. Within Local Government, the focus is more likely to fall to workgroups.

All levels of government have a relatively low focus on individual productivity improvement – with Local Government and Statutory Organisations having the least focus on individual productivity.

Chart 2.3.2 Focus for productivity, efficiency and performance improvement within organisations

Analysis by organisation type



**WHAT WOULD YOU
CONSIDER THE MAIN
DRIVERS OF PRODUCTIVITY,
EFFICIENCY AND
PERFORMANCE IN YOUR
ORGANISATION?**

"Using existing resources better, keeping up to date with technology and using technology better."

"Process enhancements to core business systems, and utilisation of online technologies."

"Getting the correct information to the right people, at the right time, to meet their business needs."

"Leadership, structure and information technology."





3.

*FINDINGS –
PRODUCTIVITY AND ICT*



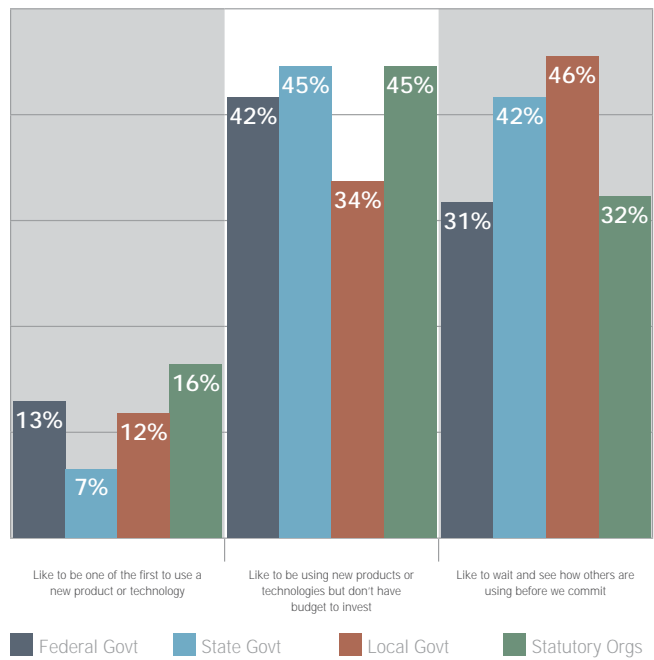
3.1 How do attitudes towards technology adoption correlate with productivity, efficiency and performance?

In terms of technology adoption, a large percentage of government organisations would like to be using new products or technologies, but tend to be constrained by limited budgets.

Local and State Governments are more likely to take a conservative approach to adoption of technology, with close to half preferring to see how others use technology before they commit.

Chart 3.1.1 Technology adoption

Analysis by organisation type



Those organisations that believe their productivity has increased a lot or a great deal are more likely to be early adopters of new technology, with more than a quarter of this group (29 per cent) saying they like to be the first to use a new product or technology.

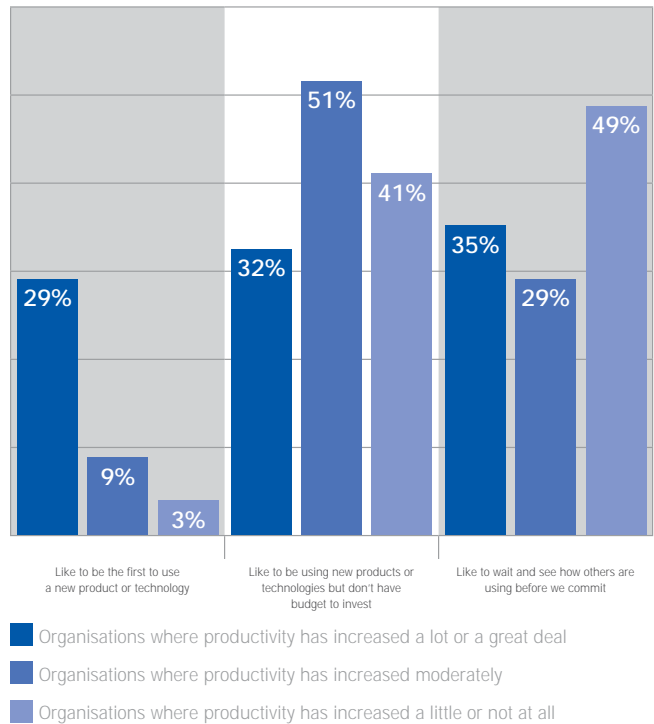
Organisations where productivity has increased only a little or not at all are more likely to fall into the 'wait and see' camp, with nearly half (49 per cent) saying their organisation tends to see how others are using technology before they commit.

Clearly there is a strong correlation between technology adoption and improved productivity. Eighty per cent of organisations that have seen only moderate productivity growth and 90 per cent of organisations that have witnessed little or no productivity growth either wait to invest in ICT or are constrained by limited technology budgets.

These results highlight the significant role that adoption of new technology can have in driving or contributing to productivity improvements within organisations.

Chart 3.1.2 Early technology adopters and productivity

Analysis by productivity experience over the last 12 months



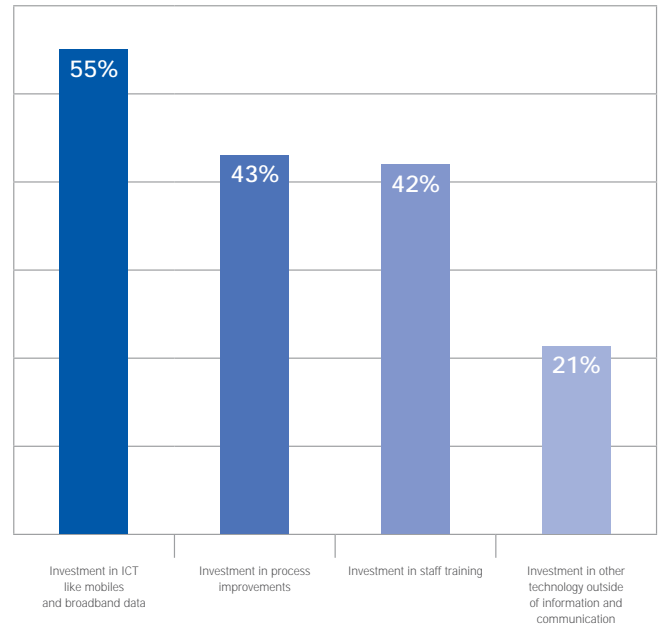
3.2 ICT seen as a primary driver of productivity, efficiency and performance

Decision-makers believe ICT investment has contributed substantially more towards improved productivity in government organisations compared to investment in other areas.

Over half (55 per cent) of government organisations see investment in ICT, such as mobiles and broadband, as an important driver in improving in productivity, efficiency and performance within their organisation.

By contrast, only around four in 10 (42 per cent) see investment in staff training or investment in process improvement as a driver. Only one in five (21 per cent) see investment in technology other than ICT as a driver for productivity improvements.

Chart 3.2.1 Role of investment in improving productivity, efficiency and performance in the past few years



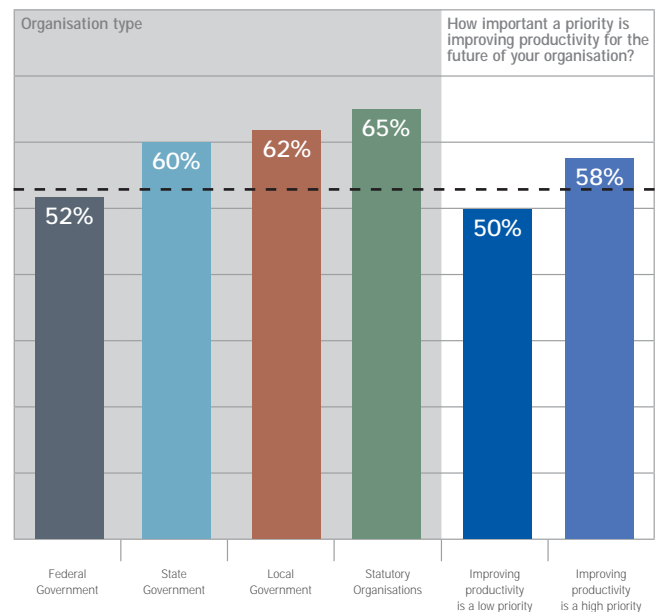
Across the various government organisations, Statutory Organisations are more likely to consider investment in ICT as having a significant role in improved productivity in their organisation over the past few years. Sixty-five per cent of Statutory Organisations consider ICT investment had played a significant role in improving their productivity over the past few years, whereas only 52 per cent of Federal Government organisations share this view.

Those organisations that place greater emphasis on improving productivity are more likely to agree that investment in ICT has led to an improvement.

Even within those organisations that rate improving productivity as a low priority, around half see ICT as playing a significant role in productivity improvements over the past few years.

Chart 3.2.2 Role of investment in ICT in improving productivity, efficiency and performance in the past few years

Analysis by organisation type and importance of productivity to the future of the organisation



--- Across all organisations, 54 per cent say investment in ICT has improved productivity a lot or a great deal in the past few years

3.3 Broadband is leading improvement

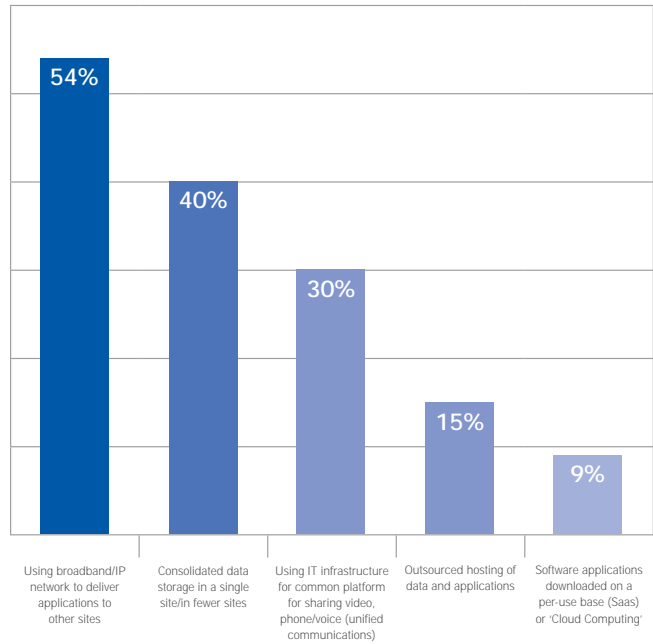
Broadband and IP network investment is seen as the leading driver of productivity improvement in government organisations.

Over half (54 per cent) see broadband networks as playing an important role in productivity improvements in the past few years, by allowing applications and services to be delivered to other sites.

Four in 10 (40 per cent) also consider that consolidated data storage leads to a large or great deal of improvement in productivity.

The role of ICT, specifically unified communications technologies, in bringing people and information together is also significant (30 per cent) and has started to change the way organisations work in recent years.

Chart 3.3.1 Role of investment in specific areas of ICT in improving productivity, efficiency and performance in the past few years



3.4 Priorities for ICT investment

Table 3.4.1 outlines the investment priorities of government organisations for the last 12 months, where they have focused on computer networking and providing all those within the organisation access to information and resources, supported by higher network speeds and broader network coverage.

Expectations for the future are focused firmly on the benefits of increased network speed and broader coverage. They also anticipate greater uptake of office-to-office videoconferencing for meetings, as the access to bandwidth increases, and video technologies improve and become an increasingly legitimate replacement for ‘in person’ meetings.

Online service delivery continues to be a high-ranking priority for government organisations – including the automation of processes and the delivery of improved self-service capabilities.

In the next 12 months, government organisations see continued improvements to network and coverage speeds continuing to drive how they communicate and work.

Table 3.4.1 ICT investments – current and future expectations

Numbers refer to the percentage considered important, ranked from highest to lowest

	Experience: ICT investments for improving productivity in last 12 months	Expectation: ICT investments for improving productivity in next 12 months
Providing better access to information and resources for all people within your organisation through networked computing	1	8
Creating opportunities for employees to share resources and information electronically across offices in different locations	2	3
Improved capabilities through higher network speeds and broader network coverage	3	1
Creating opportunities for employees to stay in touch when they are on the road or out of the office by providing remote email, PDAs, mobile phones, SMS and text messaging	4	9
Increasing the use of emails/SMS and other electronic messaging within the organisation	5	11
Enhancing your organisation's e-commerce capabilities by providing customers with online, self-service facilities	6	5
Providing employees with opportunities to remotely access work, and back up or recover information at home or via mobile devices	7	6
Automating more processes and forms online	8	4
Providing office-to-office videoconferencing for large meetings	9	2
Providing devices to mobile employees for managing their activities on the road, such as scheduling, submitting or tracking orders and confirming deliveries, etc	10	10
Providing person-to-person videoconferencing	11	7
Interactive voice recognition or automated keypad functions in call centres	12	12

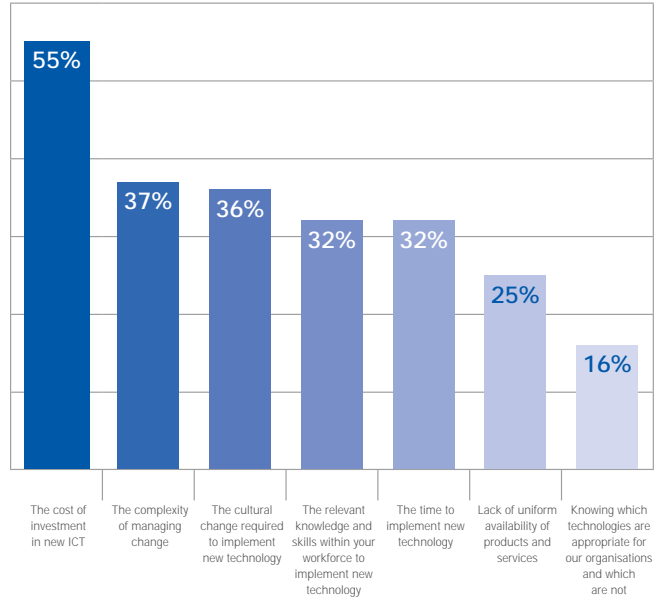
■ Top four priorities for experience and expectation

3.5 What are the barriers to ICT uptake and adoption?

Cost is far and away the most significant barrier to adoption of ICT, with over half (55 per cent) of the government organisations seeing this as a large barrier.

Issues of change related to technology implementation are also significant barriers to uptake. Almost four in 10 (37 per cent) consider the complexity of managing change a barrier alongside the challenges of cultural inertia (36 per cent).

Chart 3.5.1 Barriers to ICT uptake and adoption

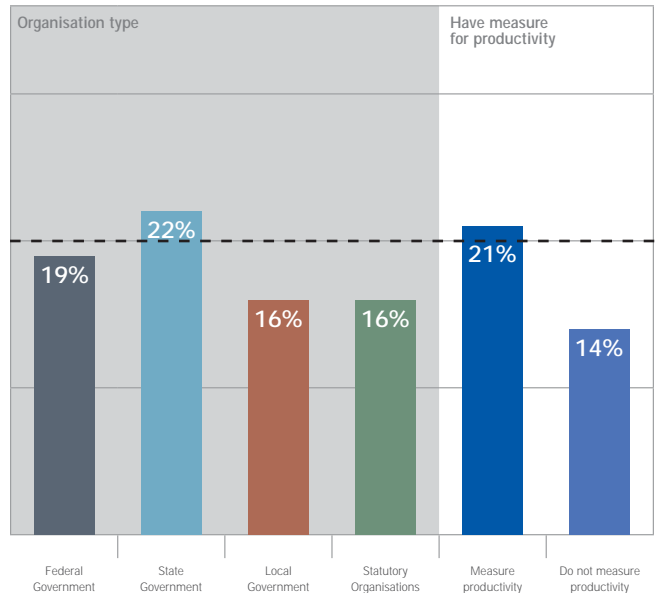


While the cost of investment in new ICT is a significant barrier, government organisations are also ill-equipped to measure the gains they have already made through ICT and therefore demonstrate the return on investment.

Across all government organisations, two in 10 (20 per cent) said they were able to accurately measure the productivity benefits of ICT investment within their organisation.

Chart 3.5.2 Able to extremely or very accurately measure productivity benefits of ICT investment

Analysis by organisation type and productivity measure



— Across all government organisations, 20 per cent were able to extremely or very accurately identify productivity benefits of ICT investment

4.

*FINDINGS –
PRODUCTIVITY AND
FUTURE PRIORITIES*

4.1 Strong expectations for improvement in productivity, efficiency and performance in the future, with ICT at the fore

Government organisations are increasingly optimistic about future productivity growth over the next 12 months.

Over a third (36 per cent) expect productivity within their organisation to improve a lot or a great deal in the coming year. This compares favourably to the two in 10 (21 per cent) of government organisations that believe that productivity within their organisation increased a lot or a great deal over the last 12 months.

Table 4.1.1 Past experience and future expectations for productivity over 12-month period

	Productivity change in last 12 months	Productivity change in next 12 months	Year-on-year change
Increase a lot or a great deal	21%	36%	15%
Increase moderately	47%	41%	-6%
Increase a little or not at all	28%	24%	-4%

NB: Numbers may not add up to 100% due to rounding and 'don't know' responses

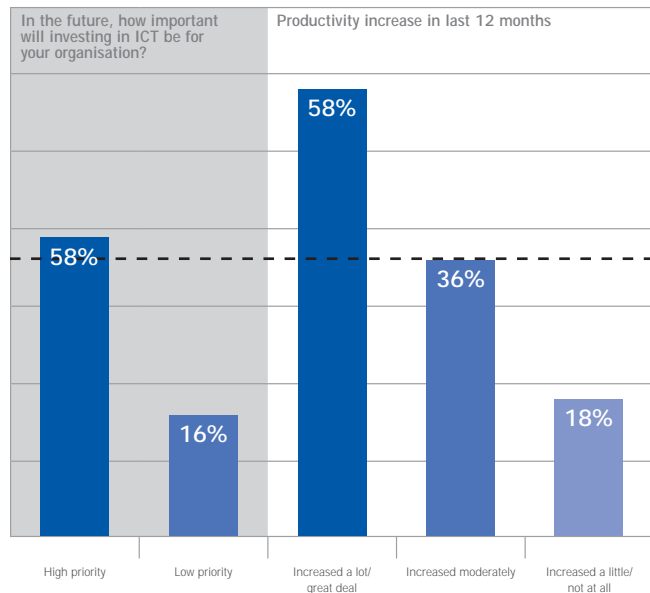
Seeing is believing. Those that have seen productivity increases in the last 12 months are more likely to anticipate further increases in the next 12 months, while those that have seen little or no increase remain fairly reserved about future improvements in productivity.

Also, those that place a high priority on investment in ICT are more than twice as likely to anticipate future increases in productivity as those that place a low priority on ICT investment.

This suggests that a mindset of productivity builds on the established momentum. When an organisation has measures for productivity and has witnessed improvement against these measures, then an optimistic and productive mindset is fostered and encouraged.

Chart 4.1.2 Future increases in productivity – expect increase a lot or a great deal

Analysis by importance of ICT for organisation and importance of productivity increase in the last 12 months



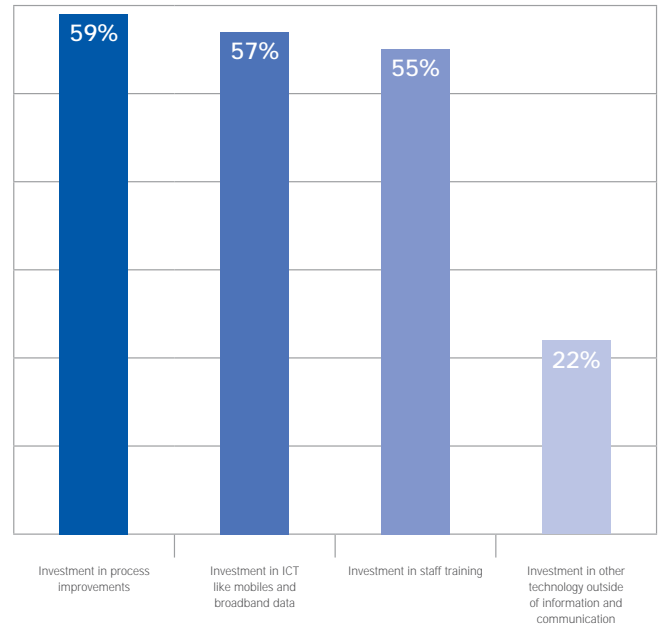
— Across all organisations, 36 per cent expect productivity within their organisation to improve a lot, or a great deal, in the coming year

4.2 Future priorities and investment

Government organisations see investment in process improvements, ICT and staff training as high priorities for the future.

Only one in five (22%) see investment in non-ICT technology as a priority for the future.

Chart 4.2.1 Priorities for the future

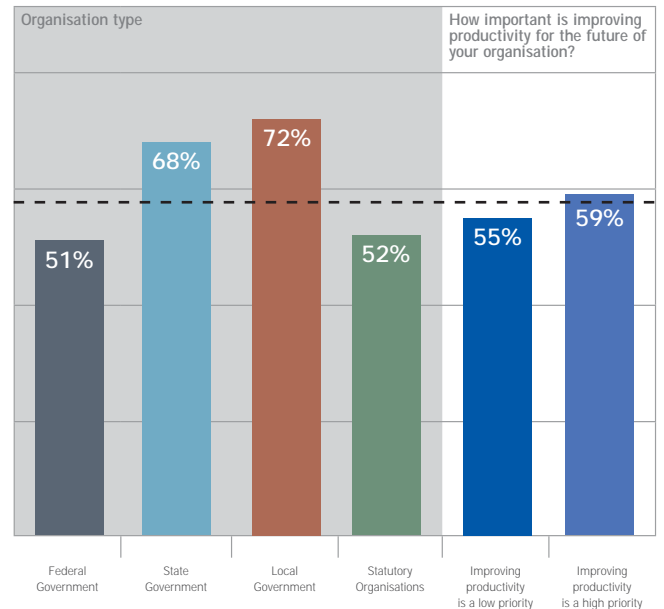


State and Local Governments are the most likely to see future investment in ICT as a priority for the future – significantly higher than respondents from Federal Government and Statutory Organisations.

Those that see improving productivity as a priority for the future of their organisation are also more likely to anticipate investment in ICT as a priority in the future.

Chart 4.2.2 Investment in ICT as a priority for the future

Analysis by organisation type and importance of productivity to future of organisation



--- Across all organisations, 58 per cent consider investment in ICT as a priority for the future

4.3 Government organisations pragmatic about the use and adoption of ICT

Two-thirds of government organisations (67 per cent) are systematically exploring ways to introduce new ICT into their organisations; however, they also take a pragmatic view, recognising the need to work smarter with what they already have and find ways to get the most out of the ICT they have in place.

Importantly, the clear majority of government organisations are exploring the ways that ICT can improve their operations.

In terms of different government sectors, State Government organisations, in particular, show strong enthusiasm for gaining the maximum benefit from ICT and seeking new ICT solutions.

Federal and Local Government organisations as well as Statutory Organisations have a greater focus on getting the most out of the ICT they already have, compared with exploring ways of introducing new ICT.

This suggests that many organisations are looking for ways to work smarter with what they already have in place, and to invest in new

Table 4.3.1 Systematically seeking new ICT or getting the most out of existing ICT

	Organisation type				Total
	Fed Govt	State Govt	Local Govt	Stat. Orgs	
Systematically explores ways of introducing new ICT	55%	85%	74%	71%	67%
Focuses on getting the most out of the ICT we already have	75%	82%	82%	90%	79%

5.

CONCLUSION





The 'productivity gap' is even more evident in the public sector

Like their private sector counterparts, government organisations clearly place a high importance on productivity.

While productivity improvement is an important goal for more than 80 per cent of government organisations, less than half that number (40 per cent) are familiar with the hard targets that their organisation has in place to measure productivity improvements.

This is a larger productivity gap than the one observed across all large organisations in *The Telstra Productivity Indicator*.

This lack of awareness may stem from productivity being seen largely as an organisational responsibility rather than an individual and workgroup responsibility.

ICT is a major driver of productivity in government

ICT is seen as a critical driver of productivity gains across government organisations, offering cost savings as well as efficiency improvements.

When those organisations that have observed a large increase in productivity are examined in detail, it is evident that they also tend to be early adopters of new technology. This adds further weight to the increasingly strong link between the adoption of ICT and improved productivity.

It is time to capture the productivity opportunity in government

Identification of the **productivity gap** in government organisations provides a major opportunity. Identifying this gap and then addressing it means government organisations can realise their **productivity potential**.

In a time of resource constraints, ensuring that government organisations are operating as efficiently and effectively as possible is critical – but it requires a focused culture that constantly aims for improved performance.

The key to fully harnessing government productivity potential lies here: measurement, management and understanding the changing role of ICT investment in bridging the productivity gap.

Identifying productivity improvements, introducing strategies and **utilising ICT** to deliver these improvements and then **measuring the benefits** could deliver **significantly better outcomes** for Australian citizens and businesses.



To download the latest Telstra productivity research,
visit telstra.com/governmentproductivity

To find out more, contact your Telstra Account Executive
or call **1300telstra (1300 835 787)**

About Telstra

Telstra is a leading provider of network-centric communications and managed services to enterprise and government organisations in Australia and around the globe. Telstra serves more than half of the world's top 500 companies through its international operations that facilitate access to over 240 countries and territories.

Telstra offers customers superior value through its range of award-winning world-class products and services. These are underpinned by the next generation Telstra Next IP™ network and Next G™ network, which are fully owned and managed by, and based on the stringent quality standards of, Australia's largest network manager.

Telstra Next Generation Services™ are developed and tested in close cooperation with partners such as Cisco and Microsoft. They are designed and deployed by Australia's largest and most qualified Professional Network Services organisation.

Telstra's customer service is internationally recognised for its high quality, including full International Customer Service Standard (ICSS) certification at the highest level and backed by Telstra's Customer Service Standards. This service is delivered by Australia's largest and most qualified field and technical workforce with a culture of continuous improvement. Telstra is a financially strong and reliable partner for large organisations who cannot afford downtime and use ICT solutions to improve the way they work and service their customers.

About Sweeney Research

Sweeney Research was established in Melbourne in 1972. Since that time the organisation has grown steadily and is now one of the five largest research consultancies in Australia, with offices in both Melbourne and Sydney.

With expertise in both qualitative and quantitative research, Sweeney Research offers a full range of research services to an extensive client base both in Australia and overseas with a focus on both business-to-business and consumer-based research.

In addition to ad hoc studies conducted in a range of sectors covering telecommunications, IT, insurance, health and government, Sweeney Research is also responsible for ongoing publications that explore the attitudes and opinions of Australians.

