

Digital NSW - Test and Buy

Innovation

Reference Guide for Government Digital Roles

Compiled: 01 January 2026

Source: digital.nsw.gov.au

Compiled from Digital NSW

Table of Contents

Test and Buy Innovation

- Test and Buy Innovation
- Buying pathway
- Scope for innovation
- Innovation eligibility checklist
- Risk appetite when buying innovation
- Staged evaluation criteria
- Stakeholder management
- Risk of assuming the solution
- Develop your iteration plan
- Agile principles and benefits
- Build evidence for your case for change
- Define the buying project outcome
- Prepare a Statement of Requirements
- Library of innovation pathways
- Build market insights iteratively
- Level of detail by stage
- Procurement policy when buying innovation
- Changes to expect
- Governance of change
- Set mandatory criteria for innovation
- Document outcome-focused requirements
- Worked risk examples
- Set up for success
- Agile procurement framework
- Approach to categories and contracting
- Prepare your business case
- Document your market approach

Stakeholder roles and responsibilities

Agile buying for the public sector

Risk management when buying innovation

Buy, build or borrow?

Write innovation challenge guidelines

Innovation buying frameworks

Set requirements and evaluate for innovation

Probity risk treatments

Shape the problem

Choose whether to plan for scale

Design a buying pathway

Apply your agency's risk framework

Organise people

Key mobilisation milestones

Conduct market research

Scope and purpose of market research

The innovation buying journey

Amplified probity risk

Write the innovation buying strategy

Understand and apply an agile framework

Get your procurement strategy approved

Get ahead of probity and risk

Align your need with strategy

Staged approach to business cases

Align the buying team

Sources of market information

Define the challenge statement

A rough guide to stages

Define evaluation criteria

Engage the right expert for each step

Staged approach to budgets

Innovation scoping steps

Mobilise your buying team

Probitly when buying innovation

Test and Buy Innovation

Test and Buy Innovation

Guides, tools and templates to help use agile, innovation-friendly procurement methods successfully.



Buying innovation requires a different approach from buying established products

The ICT and digital sectors are constantly evolving, so knowing the latest or best solution isn't always possible. Innovation procurement is an approach to procurement that supports buyers who need to turn to the market, but don't know the best solution.

Innovation procurement focuses on the problem, or desired outcome, to attract a wide range of solutions. It uses multiple procurement stages to test out the best solutions, works closely with suppliers and builds confidence in implementation and investment decisions.

Innovation procurement provides access to the most recent market expertise and the latest technology. It can improve project outcomes and enhance the longevity of solutions.

Within these pages, you will find guidance to support you to adopt innovation-friendly practices and buy digital innovation in the NSW Government.

This guidance is being created progressively and some resources are still in development. The Test and Buy Innovation advisory team may be able to support you with prototypes or examples from other projects in the meantime. Contact the team via email: InnovationProcurement@customerservice.nsw.gov.au.

Innovation eligibility checklist

Understand Test and Buy Innovation and check if it's right for your buying project.

east

The innovation buying journey

Learn how to navigate the Test and Buy Innovation journey.

east

Set up for success

Set your innovation buying project up for success, step by step.

east

Stakeholders and governance

Identify, engage and manage the experts you need to support your project's success.

east

Scope for innovation

Attract innovation with a challenge statement for the market to solve.

east

Choose whether to plan for scale

Design a pathway that supports optimal innovation outcomes.

east

Get ahead of probity and risk

Learn how to apply your agency's risk framework to an innovation buying project and navigate amplified probity risks.

east

Conduct market research

A guide to conducting market research while staying open to innovation.

east

Plan for iterative change

Learn how to apply an outcome-focused, staged approach to your buying project, while managing change.

east

Build the case for change

Adopt a staged approach to business decisions that supports innovation and gathers evidence to manage risks.

east

Set requirements and evaluate for innovation

Structure requirements that involve uncertainty and set outcome-focused valuation criteria.

east

Get your strategy approved

Document how your market approach will achieve buying objectives and comply with procurement policies.

east

Understand and apply an agile framework

Access agile method resources for project management and procurement.

east

Policy support for buying innovation

Find relevant policy provisions so you can remain compliant while driving great outcomes.

east

Sourcing – coming soon

Manage uncertainty during the sourcing stage of buying innovation.

Buying pathway

A step-by-step guide for buyers designing a pathway to support optimal innovation outcomes.



Why develop innovation pathways

Whether a buyer wants to implement a solution at scale has a big impact on the design of the buying process. A single procurement pathway can cover test-and learn stages and scale stage if desired, enabling buyers to approach the market once.

A tailored procurement pathway

The pathway step helps buying teams make an informed choice about the best procurement approach and the tactics to achieve the desired project outcome. It guides buyers through the pros and cons of each option to build confidence in a procurement pathway.

The pathway step brings the decision about whether there is an aim to scale forward to the start of project planning. It provides pros, cons and indicative timing for all options. This helps buyers balance time and budget constraints with good innovation outcomes while complying with procurement requirements.

It can be costly to think about scale after market approach or trial stage. The option exists to focus on the test-and-learn stage and consider a wider market approach down the track. You should make this decision with a full understanding of the pros and cons.

When to design a buying pathway

The buying pathway should be considered as early as possible. The decision to plan for scale should take place at the product strategy and project planning stage, before approaching the market. This avoids rework and helps manage probity and other risks.

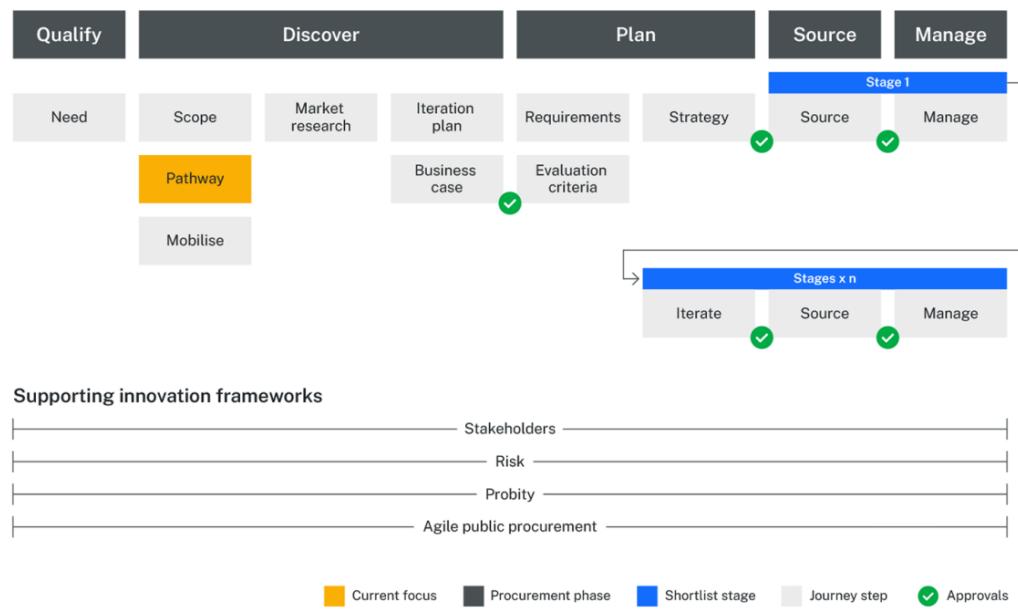


Figure 1. Buying pathway is one of several related and interacting steps within the Discover phase of the innovation buying journey.

[Expand all](#)

[Collapse all](#)

When should a buyer ask for procurement help?

A buyer should engage procurement:

- as early as possible in the ICT/digital product strategy and project planning stage to help shape the buying strategy
- during or before a buyer undertakes discovery to ensure discovery work can cover procurement considerations where relevant
- before engaging suppliers to ensure any market approach considers probity.

How are the outputs of the Pathway step used?

The outputs of the pathway step can be used to:

- design a testing and evaluation plan
- prepare the procurement strategy document
- prepare the briefing note for approval to proceed or for funding
- prepare tender documentation to communicate the procurement approach to suppliers
- support a business case for multistage funding.

Identify who is responsible for the buying pathway

The buyer or buying team and the relevant procurement advisor should complete this step together. Expand the boxes to learn how this buying pathway guide supports both roles, buyers and procurement support officers.

[Expand all](#)

[Collapse all](#)

Buyer

This guide informs buyers, including product and project managers, about pathway options and the pros and cons so they can:

- understand when to collaborate with procurement teams who will need to understand how risks are managed and balanced with business objectives to sign off the procurement strategy
- understand the limitations and risks of a test-and-learn approach before a competitive market approach
- customise a pathway and build in the tactics that will achieve the best outcome
- contribute to the briefing note, procurement strategy, and Statement of Requirements documentation
- consider how they might design their testing to inform any future activity.

Procurement officer

This guide supports procurement officers, so they can:

- understand how and when to support buyers so they can make informed innovation procurement strategy decision, balancing risk with business outcome
- map a custom scalable innovation pathway and tactics that help the buying team navigate toward the best outcome
- contribute to procurement strategy documentation.

Procurement may support the buyer test-and-learn activity through direct engagement under standard provisions and processes. They should also revisit findings before preparing for the open market.

Procurement officers who do not have experience with innovation buying pathways can access innovation procurement advisory services by contacting InnovationProcurement@customerservice.nsw.gov.au.

Next steps

Plan for scale or test before going to market

Choose whether to plan for scale

Buying pathway resources

Choose whether to plan for scale

Make an informed decision about your procurement approach.

east

[Design a buying pathway](#)

Explore options and build pathway that supports your outcome.

east

[Library of innovation pathways](#)

Examples from real projects with stages, milestones and timelines.

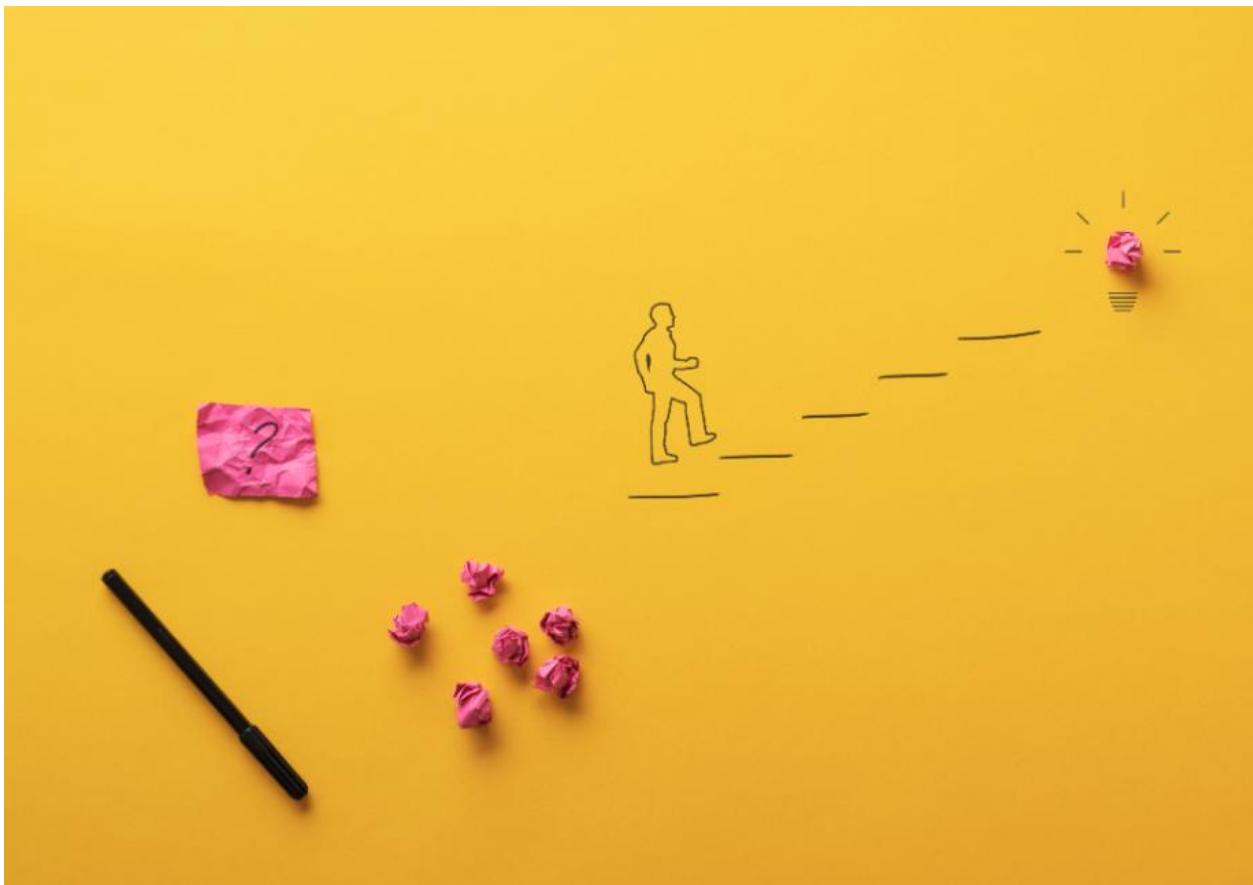
east

Explore Test and Buy Innovation

- [Innovation eligibility checklist](#)east
- [Set up for success](#)east
- [Stakeholder management](#)east
- [The innovation buying journey](#)east
- [Learn about Test and Buy Innovation Programme](#)east ↗
- [Get help from Test and Buy Innovation advisory](#)east ↗

Scope for innovation

Attract innovation with a challenge statement for the market to solve.



Why use a challenge statement

A challenge statement frames the procurement in terms of a problem or outcome. It allows suppliers to think creatively about different ways to solve a problem and put forward proposals that might not be expected.

Attract innovation with a challenge statement

Defining the scope of innovation involves spending time in the problem space to pinpoint the problem you are trying to solve or the outcome you are trying to achieve. Problems and outcomes are solution-agnostic, meaning there could be multiple ways to achieve your goals.

A well-framed challenge statement will signal the full extent of the opportunity to the market, define measures of success and provide a clear lens to align everyone involved in the buying process to deliver successful outcomes.

Buyers of innovation should be open to new or unknown ways of solving a problem. The rapid pace of change in technology means buying teams won't always know the latest developments. Making assumptions about solutions before approaching the market can result in significant disadvantages and risks.

Buyers can explore innovation scope through one or more workshops. The final output is a challenge statement that the market can respond to.

A challenge statement may still need to articulate minimum technical requirements or constraints. Buyers should avoid relying too heavily on technical specifications or detailed requirements that can lock good solutions out.

Resources

Learn more about the [risk of assuming a solution](#).

When to scope for innovation

Innovation scoping should happen once a core buying team has mobilised. This ensures the right expertise can contribute to the scope. After this step, teams will often find they need to tweak their procurement approach from Buying pathway step as a result of better understanding the problem or desired outcome - this is normal and encouraged.

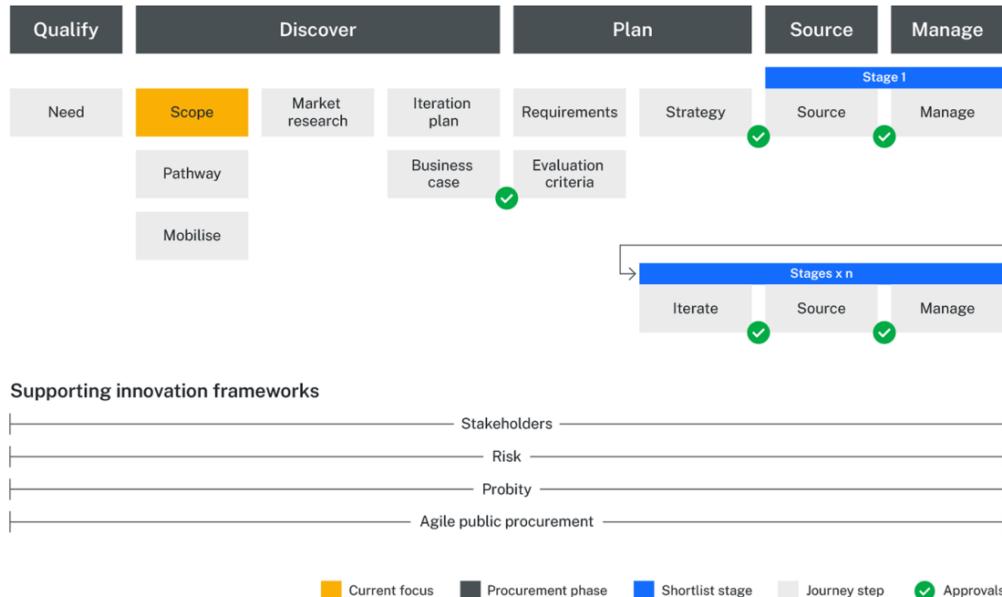


Figure 1: Innovation scoping is one of several related and overlapping steps in the Discover phase of the innovation buying journey, along with Buying pathway and Mobilise your buying team steps.

[Expand all](#)[Collapse all](#)

When to undertake an innovation scoping activity

- after an initial discovery
- during or after mobilisation
- before finalising the Statement of Requirements and procurement strategy documents
- before suppliers have been engaged, to ensure probity provisions and risks have been considered.

How to use the outputs of innovation scoping activity

Outputs can be used to define:

- evaluation criteria
- evaluation plan
- challenge statement in the Statement of Requirements document
- tender requirements
- supplier-friendly guidelines
- supplier briefings.

Who to involve and their responsibility

Since the scope of the innovation focuses on the problem or desired outcomes for a business area or service, the buyer is the primary driver of this activity. However, the buyer can rarely complete this step alone. Involvement of other subject-matter experts (SMEs) is essential for understanding a problem space. Expand the headings below to read more about the responsibilities of different roles.

[Expand all](#)[Collapse all](#)

Buyer

Buyers should drive innovation scoping due to their proximity to the desired business outcomes. They should ensure they engage key people at each step of the process.

Even when the end solution or range of solutions is unknown, the core buying team may need to include key subject-matter experts (SMEs). They can help uncover and shape the problem to be solved and define one or more challenge statements that the market can understand and respond to.

They can help uncover and shape the problem to be solved and define one or more challenge statements that the market can understand and respond to.

Resources

Learn more about the [types of SMEs and how they contribute to the success of the buying project ↗](#).

Procurement officer

Procurement officers should be familiar with the key steps for innovation scoping and challenge statement definition. Understanding the business objectives will help them tailor the procurement approach to achieve them. Procurement specialists may be able to advise on whether the challenge statement provides the right level of detail for the market to respond to. They may also be able to identify other subject-matter experts that should contribute.

Resources

Learn more about the [types of SMEs and how they contribute to the success of the buying project ↗](#).

Subject-matter experts

Subject-matter experts (SMEs) have an important role in buying teams when the solution or range of solutions is unknown. SMEs help uncover new information, shape the problem to be solved and contribute to the challenge statement.

NSW Government internal SMEs may include ICT, digital, risk, innovation and service design functions, as well as those who might have an interest in, or be affected by the procurement outcomes. Internal SMEs should be prepared to:

- attend and contribute to a problem shaping workshop
- review the outputs including the challenge statement, success criteria and any pre-determined solutions or technical requirements.

Design and facilitation of problem shaping workshops, problem framing and challenge statement definition may be led by the buying team using self-service resources, or NSW Government internal service designers may be engaged.

Learn more about the [types of SMEs and how they contribute to the success of the buying project ↗](#).

Service designer

If discovery work has not already been undertaken, external SMEs may need to be engaged in additional problem shaping workshops. Groups involved may include peak bodies, industry associations and the people who experience the problems.

Internal service designers and those with similar skills can be engaged to lead additional problem shaping workshops with external SMEs. This may include engagement design for larger groups of external stakeholders, workshop facilitation, insights synthesis and problem definition.

Resources

Digital NSW supports buying projects with innovation specialists or service designers to run a discovery activity that integrates with the innovation procurement methodology. Contact the [Test and Buy Innovation advisory team ↗](#) to find out more.

Scoping for innovation next steps

Innovation scoping steps

Scope for innovation resources

Innovation scoping steps

From problem space to framing the challenge.

east

[Shape the problem](#)

Uncover problem and frame desired outcome.

east

[Define the challenge statement](#)

Write a challenge for the market to solve.

east

[Risk of assuming the solution](#)

Learn the risks of assuming solutions.

east

Explore Test and Buy Innovation

- Align need with strategyeast ↗
- Innovation eligibility checklisteast
- Risk of assuming the solutioneast ↗

- Set up for success
- Stakeholder management
- Learn about Test and Buy Innovation Program
- Get help from Test and Buy Innovation advisory
- Enquire about resources from Test and Buy Innovation
- The innovation buying journey

Innovation eligibility checklist

Buying innovation involves a more agile and complex procurement approach compared to buying known solutions. Find out if Test and Buy Innovation is the right approach for your buying project.

Innovation defined

The term ‘innovation’ can be interpreted differently. In the NSW Government environment, the [World Economic Forum’s](#) definition is helpful because it focuses on achieving value (or service outcomes) despite complexity, and recognises the role of practical steps. It states:

"Innovation is the process of turning new ideas into value, in the form of products, services, business models, and other new ways of doing things. It is complex and goes beyond mere creativity and invention to include the practical steps necessary for facilitating adoption."

Procurement approach when buying innovation

Innovation procurement is when a buyer understands the problem they want to solve but they have not yet decided what they're buying.

[Procurement processes](#) for buying known solutions are well established, even where those solutions might be considered innovative. Buying innovation is different from established models of procurement because it helps the NSW Government access the latest technology and solve problems in new or unexpected ways. It relies on agile and innovation-friendly procurement methods, like:

- early market engagement
- focusing on the problem or outcomes
- trying out unfamiliar or less mature solutions
- co-designing with suppliers
- multi-stage procurements that support scaling from successful trials.

Current procurement policies allow and encourage buyers to use these methods. However, their complexity can be a barrier to adoption. That is why we recognise innovation as needing a distinct procurement approach and support.

Different business objectives

When buying innovation, business objectives are different compared to standard procurement. Expand the headings below to see if your business objectives are more aligned with buying innovation or buying known solutions.

Expand allCollapse all

Buying known solutions

The NSW public sector has developed procurement processes focused on established products and services. Existing processes support buyers to achieve their business objectives when they are clear on what they want to buy and they are confident it will meet their needs.

In these scenarios, the business objectives include:

- speed to use
- pre-agreed terms
- accessing lower pricing through spend aggregation
- risks understood and mitigated
- minimum administration and handling
- catalogues/easy to find suppliers and products.

Buying innovation

When a buyer doesn't know exactly what they're buying, business objectives that focus on efficiency and risk minimisation can lock out innovation. Instead, when buying innovation, the business objectives are:

- understand the problem space and define the challenge or opportunity
- leverage expertise of the market and the latest technology
- try things out before committing
- learn and adapt to make more confident investment decisions
- a pathway to scale when a solution works well.

A wide range of procurement approaches can support the business objectives for innovation. The combination that best suits an individual project is called an innovation buying pathway. Creating this pathway is the first step when buying innovation.

Learn more about [the Pathway step](#).

Eligibility checklist

This non-exhaustive list can help identify whether adopting innovation-friendly procurement practices is the right approach for your buying project. For help understanding or working through any of these criteria, contact the advisory team at InnovationProcurement@customerservice.nsw.gov.au.

Qualifiers	Detailed criteria
Problem	<ul style="list-style-type: none"> • Solution to problem is unknown or there may be multiple solutions. • Problem is recognised and stakeholders agree that it's worth solving.
Buying objective	<ul style="list-style-type: none"> • Desire to deliver business outcome regardless of solution. • Desire to scale successful Proof of Concept (PoC) or trials.
Buyer readiness	<ul style="list-style-type: none"> • Clearly identified buyer with a commitment to buy solution(s). • Willingness to take a solution-agnostic, outcomes-based approach. • Willingness to test and learn to improve understanding of the problem and solution. • Appetite for taking calculated, carefully managed risks to uncover innovation. • Willingness to invest time and resources on setting buying project up for success. • Willingness to adopt and resource more agile project management and procurement methods. • Willingness to work with an iterative governance structure.
Scale of opportunity	<ul style="list-style-type: none"> • Total scale of opportunity can be estimated in terms of Total contract value (TCV) with just enough accuracy to identify the best financial delegate and understand future funding steps. • Total scale of opportunity can be expressed in terms the market can understand, regardless of uncertainty around the solution. For example, number of services, business units, use cases or locations the solution might be applied to.
Leverage best of market	<ul style="list-style-type: none"> • Understanding that the market can offer expertise and solutions the buyer is not aware of or might not be able to access internally. • Willingness to let market to solve the problem in a novel or innovative manner. • Willingness to explore a range of market solutions and/or engage multiple solution providers.
Source of opportunity	<ul style="list-style-type: none"> • Greenfields project: a problem that is not currently solved, a new opportunity for suppliers.

Qualifiers	Detailed criteria
	<ul style="list-style-type: none"> • Brownfields project: issues uncovered with existing solutions, for example during contract review, that might prompt buyers to explore not just different products, but different approaches.
Funding	<ul style="list-style-type: none"> • Funding available for an initial Proof of Value (PoV), Proof of Concept (PoC) or trial. • Willingness to reimburse one or multiple suppliers for proof or trial stages to encourage a wider range of suppliers and solutions. • Commitment to fund to implementation at scale of successful solutions, noting that funding may be subject to business case approval. • Desire to build an evidence base on value or benefits to inform a business case.

Getting started

Set up for success

Explore Test and Buy Innovation

- The innovation buying journey [↗](#)
- Stakeholder management [↗](#)
- Set up for success [↗](#)
- Buy, build or borrow [↗](#)

- Get help from Test and Buy Innovation advisory [↗](#)
- Learn about Test and Buy Innovation Programme [↗](#)
- Align your need with strategy [↗](#)
- Risk of assuming the solution [↗](#)

Risk appetite when buying innovation

Understand how to take smart risks and manage them carefully to drive innovation outcomes, through five key risk concepts.

Innovation procurement requires a higher risk appetite than most procurements. In practice, however, risk appetite isn't something that buying teams or their approvers just choose to have. To build a strong risk appetite, buying teams and their decision-makers need to:

- understand their risk landscape
- know which risks create innovation benefits and might be worth taking
- feel supported to take risks safely.

Uncertainty and complexity inherently bring risks. To balance these with the benefits of innovation procurement, buying teams and their procurement advisors need to bring an innovation mindset to risk management. This mindset is compatible with usual risk management practices and helps implement an agency's risk management framework in an innovation context.

This page supports buying teams to build a shared innovation risk mindset for buying projects and navigate risk decisions in a way that protects benefits.

Five key risk concepts to build an innovation risk mindset

Five overarching concepts can help buying teams apply existing risk management frameworks to innovation procurement. Teams should explore these together and collaboratively discuss what they might mean in practice. Approvers may also need to be briefed on these concepts to support any decision-making that demands a higher risk appetite.

- **Agile delivery breaks risks into manageable chunks** – Human-Centred design and agile delivery methods help break down significant risks into smaller, more manageable chunks.
- **Multiple stages help uncover information to reduce uncertainty** – A multi-stage procurement approach supports progressively uncovering information to reduce uncertainty and increase confidence, enabling the process to adapt accordingly.
- **Manageable and masked risks in an outcome-based approach** – An outcome-focused market approach introduces (manageable) risks and masks technical risks which will need to be revisited at each stage.

- **Risk treatments can create secondary risks** – Some risk treatments create secondary risks so buying teams must be prepared to weigh these up against each other as well as against project objectives.
- **Mobilisation for collaboration and expertise** – Mobilisation sets up close and regular collaboration between agile project team members. Engaging the right subject-matter experts helps identify and manage risks to process and business outcome, as well as helping with the design of testing stages that help understand risks.

This page helps buying teams understand how these concepts play out in practice, and their effect on risk identification, treatment options and ongoing monitoring.

Agile delivery breaks risks into manageable chunks

Innovation can uncover completely new solutions, existing solutions applied in new contexts or even ideas that have not yet been turned into solutions. Evidence that these sorts of solutions has achieved desired outcomes elsewhere, or that suppliers can deliver effectively, might be limited or non-existent. Committing several years' worth of money and resources to the implementation of an unknown or untested solution would pose a significant risk.

Agile methods and Human-Centred Design break this large risk into several smaller and more manageable ones. Agile methods include a focus on outcomes, testing through multiple stages and deep engagement with users.

The bigger the scope and financial scale of a solution, the more valuable agile methods will be. Without them, an agency is unlikely to have the appetite to invest in an unknown or untested solution.

Expand the boxes below to learn how various agile methods can help break down risks.

[Expand all](#)

[Collapse all](#)

Outcome focus

An outcomes-focused approach such as a challenge statement can attract a range of possible solutions that could solve a problem in different ways. This broader comparison can help assess effectiveness, find the most up-to-date technology and achieve the best value for money.

While running an innovation challenge means taking some risks (see [manageable and masked risks](#) heading below), they are preferable to the risk of investing in the wrong solution or not finding one at all.

Multiple stages

Financial commitment in a multi-stage procurement is smaller at early stages, when not much is known about solutions and suppliers. Some early-stage funding might go towards solutions or suppliers that don't progress any further in the process. This is often either not budgeted for or seen as wasteful by some. However, the cost of testing is generally far less than the cost of terminating an agreement for a solution that's not suitable or the cost of scope-creep.

User engagement

Building engagement and collaboration time between suppliers, project staff and end users into testing stages can increase confidence in the effectiveness of the solution. It also provides valuable insight into how well suppliers can work with government staff, systems and customers. This approach requires more time, resources and attention to probity. However these efforts would cost far less than an agreement with a supplier who is uncooperative, doesn't understand the operating environment or doesn't value customer outcomes.

Multiple stages help uncover information to reduce uncertainty

Innovation buying projects start with a lot of unknowns – the type of solution, how effective it will be, technical details, whether it will work with other operating systems, whether it will meet security and privacy requirements, whether the supplier can work well with government and end-users.

The way this uncertainty is managed in standard procurements is to ask suppliers for everything in their initial proposals. This would be ineffective for innovation, especially when exploring emerging markets, as there is a high chance that requests for proposals could miss important detail.

Expand the boxes below to learn how multiple stages can reduce uncertainty.

Flexibility to adapt to new information

By asking suppliers for information in multiple stages, buyers improve their understanding of the market offerings and refine the information they ask for at the next stage, after short-listing.

Lower barriers to participation for suppliers

Participating in tenders is very costly for suppliers, so it helps to ask only for critical information at a first stage. The focus should be to assess how well suppliers can solve the problem and whether they meet any non-negotiable requirements while giving them advanced notice of information that might be needed later.

More efficient for suppliers and buyers

It is more efficient and effective for everyone if greater technical detail is requested at later stages. A smaller cohort of suppliers investing more time into tender proposals that have a higher chance of success means a smaller number of detailed proposals for the project team to evaluate.

More open to different solutions

An added benefit is that limiting the detail requested in the initial proposal can attract a wider range of suppliers and solutions.

Manageable and masked risks in an outcome-focused approach

Buying innovation can amplify the likelihood and/or consequences for certain risks that already apply to most buying projects. At the same time, adopting an agile approach breaks these risks down into smaller chunks. This systematically reduces the risk exposure over multiple stages.

Buying teams should capture the following risks in their initial risk identification, as well as the aspects of an agile approach that help manage each one.

[Expand all](#)

[Collapse all](#)

Supplier risks

The market for innovative solutions may be immature, with limited competition or standards. This increases the risk of vendor instability, limited supplier options or insufficient market support. Working more closely with suppliers helps manage this risk.

Technical risks

Risks relating to specific types of technology can't be identified before proposals are received. Involving technology subject-matter experts in the design of stages and in evaluation and/or iteration helps ensure risks are identified at later stages.

Intellectual Property risks

Innovation is likely to involve sharing or licensing of proprietary technologies, processes, data or even ideas. This can raise concerns about protection of Intellectual Property, ownership rights or confidentiality with vendors or competitors. Sound confidentiality practices, and proactive communication of those practices to suppliers, helps manage this risk. These practices are embedded in all innovation procurement guidance, tools and templates.

Probitry risks

Innovation tenders typically involve more interactive engagement, or even siloed interactions, with suppliers. This increases the risk of perceived unfairness. Building fairness into all interactions, proactively communicating those measures and checking on suppliers' comfort with the measures can help manage this risk.

Adapting the procurement process based on new information helps to manage investment risk but can also increase the risk of perceived bias. Communicating to suppliers how those decisions are governed and how changes will be managed can help manage this risk.

Given the uncertainty about the end solution, decisions about long-term funding (via business cases) or applications to other use cases will need to be made after the procurement begins. This can create a risk of actual or perceived lack of transparency. Proactive communication about the scale of the opportunity and any funding uncertainty can help manage this risk.

[Read more about managing probity for innovation buying projects](#)

During the Plan phase for innovation buying projects, some risks are masked. When buying known solutions, these risks would usually be identified and treated before approaching the market. When buying teams don't know what they are buying, they can't accurately identify these risks until after reviewing proposals.

Buying teams should continuously update their risk register with the latest information after each stage, capturing any new risks.

Expand the boxes below to learn the risks most likely to emerge after evaluating proposals or testing solutions.

[Expand all](#)

[Collapse all](#)

Software interoperability or integration

The solution may face challenges integrating with existing systems, leading to potential delays, increased costs or reduced functionality.

ICT roadmap compatibility

Relevant Strategy professionals and experts in the ICT/Digital/Product and technical domains should be engaged to [align with the ICT technology roadmap](#) to determine if the problem can be solved by a planned or inflight project. [The NSW Digital Strategy](#) identifies priority missions and digital commitments that set the strategic direction for the NSW Government. [The NSW State Digital Assets Reuse Policy](#) mandates agencies to reuse what is already available.

Supplier maturity and capability

Suppliers of innovative solutions may lack the experience, resources or stability needed to deliver and support the solution, leading to potential failures or service disruptions.

Cyber security and data privacy

Solutions may introduce new vulnerabilities or fail to meet data protection standards, increasing the risk of cyberattacks or data breaches.

Regulatory compliance

The solution may not fully comply with relevant regulations, resulting in legal challenges or the need for costly modifications.

Organisational knowledge and skills

The adoption and maintenance of a solution may require skills and knowledge that the agency lacks, leading to substantial training or hiring efforts to ensure proper maintenance and support.

Risk treatments can create secondary risks

Innovation-friendly procurement methods act as treatments for the larger risk of investing in and implementing an unfamiliar solution. They can also be perceived as risks in their own right. These risks include using a solution-agnostic problem statement, funding multiple testing stages or increasing interaction with suppliers.

These risks are smaller, manageable and beneficial overall. They help manage uncertainty and ensure a broad exploration of potential solutions. However, risk-aversion can result in over-treating (or even removing) these smaller risks. This can inadvertently weaken their effectiveness as controls for the larger risks.

It is crucial to manage smaller risks in innovation procurement rather than removing them. Recognise how these risks act as controls for larger risks and over-treating them could undermine this balance.

Expand the boxes below to read about some secondary risk examples.

[Expand all](#)

[Collapse all](#)

Use of outcome-focused requirements

A problem statement that is outcome-focused, solution-agnostic and minimises technical requirements can attract a wide range of potential solutions. This can be seen as a risk because buying teams are less familiar with documenting requirements this way.

This smaller risk could be removed by being more prescriptive about the solution and its technical requirements. However, doing so could lead the buyers to miss out on the latest market expertise and not understand the full range of possible solutions.

The result could be committing all available funds to an inferior solution that doesn't solve the right problem, represent value for money or adapt well over time. This would be a worse outcome and a bigger risk. Rather than removing the risk, accessing support to evaluate diverse suppliers will help manage it.

Increased supplier interaction

Increased supplier interaction enhances understanding and collaboration between buyers and suppliers. This improves the relevance and quality of proposals, making them easier to evaluate.

Removing the associated probity risk by limiting communication could prevent suppliers from fully understanding the problem space and demonstrating their user insight. This could lead to a higher risk of missing out on the best solutions or dealing with uncooperative suppliers.

The likelihood of a solution not being fit for purpose or a contract being terminated becomes higher.

Rather than removing the risk, planning for probity-rich supplier interactions helps manage it while protecting benefits.

Mobilisation for collaboration and expertise

Effective collaboration is an important control for several risks related to the uncertainty inherent in buying innovation. On top of contributing subject-matter knowledge at key points, a cross-functional team should collaborate on the design of the whole procurement process.

Good mobilisation sets a cross-functional team up for successful collaboration throughout the life of a buying project. Mobilisation means bringing all team members together early, both the core buying team and subject-matter experts. It means defining clear roles and responsibilities and getting on the same page.

[Read more about mobilisation ↗](#)

For all ICT projects, buying teams should consult technical experts at key points like requirements gathering, evaluation or contract negotiations. For innovation procurement, the buying team should go beyond consultation. They should engage **experts and stakeholders** in defining the business outcome, designing the procurement process, ensuring clear communication to suppliers, evaluating proposals and iterating between stages.

This level of collaboration is closer to a shared responsibility approach. It ensures all relevant roles have touch points throughout the project. Regular feedback loops ensure that the procurement stays aligned with evolving sector requirements.

Expand the box below to read an example of stakeholder engagement risk that is mitigated through a mobilisation activity.

Cyber security example

A buying project focused on a known solution would engage a cyber security expert to provide input at fixed points. In the Plan phase, they might define cyber security requirements. In the Source phase, they would provide a cyber security questionnaire for suppliers to respond to.

Since innovation buying projects are solution-agnostic, a cyber security expert's contribution to requirements (i.e. the problem statement) would do little to help manage cyber security risks. Cyber security controls can only be put in place once the preferred solutions become clear.

However, the buying team could miss opportunities to introduce these controls without input from the right expert. By contributing to the design of each procurement stage, the cyber security expert can indicate how to uncover basic technical information that can then guide further cyber-security assessment.

That expert would then know when to expect technical information to be available and be prepared to contribute further.

Resources

[Apply your agency's risk framework](#)

[Worked risk examples](#)

Explore Test and Buy Innovation

- [Agile procurement framework](#)
- [Agile buying for the public sector](#)
- [Get ahead of probity and risk](#)
- [Amplified probity risk](#)
- [Probity risk treatment](#)
- [Manage innovation buying risk](#)

- [Apply your agency's risk framework](#)
- [Worked risk examples](#)
- [The innovation buying journey](#)

- Learn about Test and Buy Innovation Program [↗](#)
- Get help from Test and Buy Innovation advisory [↗](#)
- Innovation buying framework [↗](#)

Staged evaluation criteria

Design outcome-focused stage criteria to progressively uncover more information.

Staged outcomes

The testing stages in agile procurement aim to progressively uncover more information. Each procurement stage should be designed to achieve certain outcomes that start with a focus on the problem and progress to greater focus on the technical solution and supplier capability. These outcomes guide how evaluation criteria are applied and ensure the selection process fosters innovation.

Read more about stages in [agile procurement](#).

The following is a guide for expressing the outcome of procurement stages. Buying teams will need to tailor this guide for their project, since an innovation buying pathway might repeat stages or skip them, depending on the types of solution and market maturity they are testing.

Stage name	Purpose	Success indicators
Tell us	The proposal seems to solve the problem	<ul style="list-style-type: none"> Challenge statement is addressed and success criteria seem to have been achieved.
Show us	The supplier seems to understand the operating environment and users	<ul style="list-style-type: none"> Evidence that the current state, user stories and any constraints are understood and driving the proposal.
Prove it works	The solution is technically feasible	<ul style="list-style-type: none"> High confidence the solution can achieve the benefits Solution seems to be able to operate in the environment and meet user needs Solution is commercially viable and/or worth the investment High technical risks identified and able to be mitigated.
Build it with us	The solution and supplier are viable	<p>Solution represents the best value for money and there is substantial evidence that it is viable in terms of:</p> <ul style="list-style-type: none"> technical specifications user functionality supplier delivery methods up front and ongoing costs commercial feasibility any other risks.

Learn about what should happen at each stage, including [objectives, information needs, risk milestones, approvals, costs and processes](#).

How these outcomes shape evaluation criteria

The outcomes defined for each stage guide the development of evaluation criteria. This ensures that each proposal is assessed on relevant and meaningful aspects at the right time.

In the initial stages, criteria focus on assessing whether the proposal addresses the core problem and aligns with project objectives.

As the process moves forward, the criteria become more specific and detailed. They assess the depth of the supplier's understanding and the feasibility of their solutions. By the final stages, the criteria are geared towards assessing the overall viability of both the solution and the supplier. They focus on aspects such as technical specifications, cost-effectiveness and the ability to deliver successfully.

This staged approach allows for a flexible and adaptive evaluation process while protecting fairness at each stage. It accommodates a wide range of innovative proposals while ensuring that only the most viable and effective solutions are selected.

Outcome-focused evaluation criteria

Outcome-based evaluation criteria help ensure that solutions are assessed against the desired outcomes regardless of the procurement stage. They provide flexibility by referencing requirements, which can evolve from one stage to the next, rather than having requirements embedded in them.

Using this approach, it is possible to have a single set of evaluation criteria that applies to all stages. While this is advantageous, it is not a strict need. Project teams may prefer to identify specific criteria for certain stages to support the outcomes they have defined.

Recommended evaluation criteria for innovation

When focusing on outcomes, the evaluation criteria used by innovation buying projects tend to be quite similar. Buying teams choosing to start with a single set of criteria can tailor these recommended criteria for their buying project. The recommended criteria are:

- **Solution functional capability:** addresses the challenge and is superior or differentiated.
- **Solution technical capability:** can work with organisation systems, level of maturity and/or customisation needed.
- **Understanding of the problem and users:** reflects current state, considers needs of users.
- **Supplier delivery capability:** skills, experience, and human resources capacity. May include specific methods relevant to the project.
- **Ability to work with NSW Government:** can meet NSW Government policies and requirements including contract terms.

- **Commercial viability:** solution has commercial viability, is worthy of investment, and has a reasonable roadmap for development and/or certification.
- **Cost/commercial model:** total cost of implementing and maintaining solution, based on the proposed business model for the solution (ownership, operation, etc.).

Balancing flexibility and accountability

Flexibility is essential in innovation procurement. The evaluation criteria outlined in a procurement strategy tend to be high-level. A detailed evaluation plan complements this by refining criteria and methodology over time. Between the two, buying teams can achieve clarity for decision-makers while allowing adaptation as market insights emerge.

Some projects include weightings and indicators in the strategy; others defer these to the evaluation plan. Regardless of approach, an evaluation plan can be set up to evolve at each stage to stay aligned with project needs. In practice, this may mean governing changes to the document or issuing addenda at key milestones or gates. (Note: Guidance covering Evaluation plans is under development.)

Alternatively, evaluation can become more specific and technical without any changes to criteria. Instead, the level of detail suppliers are asked to provide can evolve, increasing the rigour with which proposals can be evaluated at each stage. Read more about [level of detail](#) on the next page.

Outcome-focused to technical detail

Initially, criteria should be focused on the desired outcomes. This allows suppliers to present different approaches to achieving those outcomes. As more information becomes available and the scope of solutions is better understood, either the criteria become more technical and detailed, or the level of technical detail assessed within the criteria increases. This shift helps refine the pool of proposals and ensures that the end solutions are not only innovative but also technically feasible and aligned with the project's needs.

Sample text for procurement strategies

Buying teams can adapt the following sample text in their procurement strategy to communicate the outcome-focused and iterative nature of evaluation criteria.

'This is an outcomes-based market approach. This means that, while the final intent is to implement a solution at scale, the nature of the end solution is not known. A range of different solutions may be put forward by suppliers in the first stage based on a problem statement.

Given the scope of solutions being assessed at subsequent stages is currently unknown, detailed evaluation criteria will be defined as the scope is defined in the evaluation plan for each stage.'

Resources

Level of detail by stage

Set mandatory criteria for innovation

Write innovation challenge guidelines

Explore Test and Buy Innovation

- Set requirements and criteria for innovationeast
- Stakeholder managementeast
- Set mandatory criteria for innovationeast
- Level of detail by stageeast
- Build market insights iterativelyeast
- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programeast ↗
- Get help from Test and Buy Innovation advisoryeast ↗
- Get your procurement strategy approvedeast

Stakeholder management

Identify, engage and manage the experts you need to support your project's success.



Stakeholders are people with an interest in a policy, project or change. They can include the people affected by the implementation and those with expertise to contribute along the way.

Stakeholder management is the proactive process of identifying and analysing the needs of all relevant parties. It aims to inform, engage and align stakeholders with the goals and objectives of a project. It ensures their contributions are organised and their inputs are monitored to achieve the desired outcome.

'Stakeholder management' and 'stakeholder engagement' are often used interchangeably. However, the latter is just one of the many tasks associated with the former.

Definition of Stakeholder management framework

A Stakeholder management framework is a structured approach for identifying, analysing and engaging with individuals or groups who can affect or be affected by a project, product or organisation. It provides a systematic process for understanding stakeholder needs, expectations, and influence, enabling organisations to manage relationships, mitigate risks and ultimately improve outcomes. ([Source: Agile Alliance ↗](#))

This page helps buying teams navigate and apply a Stakeholder management framework to support the achievement of these outcomes.

The four key components of the Stakeholder management framework illustrated in Figure 1 below should be continuously monitored and evaluated to track the effectiveness of engagement efforts, making adjustments as needed.

Stakeholder management's key components are:

- **Identify:** All individuals and groups who have an interest in, or are impacted by, the project.
- **Analyse:** Assess the level of interest, influence and potential impact of each stakeholder.
- **Plan:** Develop specific plans for how to communicate with, consult and involve stakeholders based on their needs and influence.
- **Engage:** Ensuring clear, consistent and timely communication with stakeholders.

Each component should be monitored and evaluated to ensure effectiveness.

[Access Stakeholder framework resources including templates and examples ↗](#).

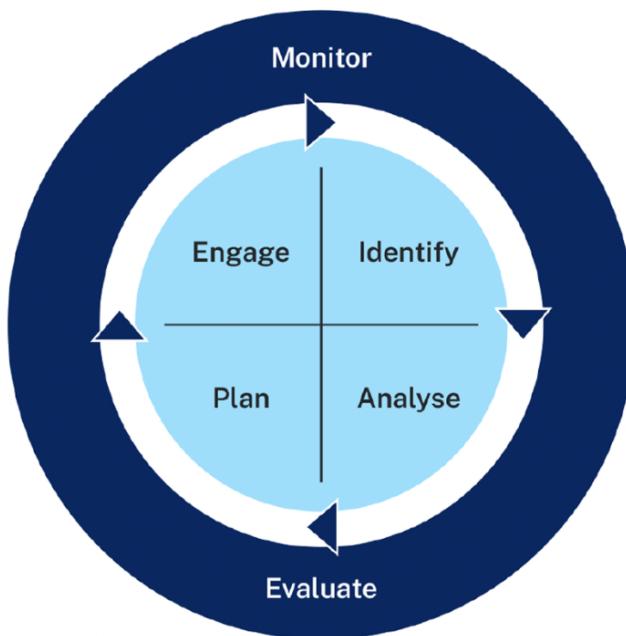


Figure 1. The four components of a Stakeholder management framework that should be continuously monitored and evaluated.

Why Stakeholder management is important

Applying the Stakeholder management framework effectively helps buying teams and decision-makers:

- understand the perspectives and motivations of all stakeholders
- maximise stakeholder alignment and endorsement of the buying strategy and outcome
- capitalise on the full value of stakeholder contributions
- effectively balance competing stakeholder interests to ensure the buying project remains on track.

The complexity and uncertainty involved in buying innovation increases the importance of engaging stakeholders as early as possible. This creates understanding and buy-in that set a buying project up for success.

Following a Stakeholder management framework enables buying teams to adopt a structured approach with many benefits:

- **Improved project outcomes:** By understanding and managing stakeholder expectations, organisations can increase support, minimise resistance and improve the chances of project success.
- **Enhanced relationships:** A Stakeholder management framework helps build trust and positive relationships with key stakeholders, fostering collaboration and support.
- **Reduced risks:** By proactively addressing potential concerns and conflicts, organisations can mitigate risks associated with stakeholder opposition or disengagement.
- **Effective resource allocation:** By understanding stakeholder priorities, organisations can allocate resources more efficiently and effectively.
- **Increased transparency and accountability:** A well-defined framework promotes transparency in decision-making and accountability for stakeholder engagement.

When to apply a Stakeholder management framework

Stakeholders support every step of the Innovation buying journey. Buying teams should set up to manage stakeholders effectively as early as possible. There are specific actions to either prepare for, or implement, a stakeholder management framework at each phase of procurement.

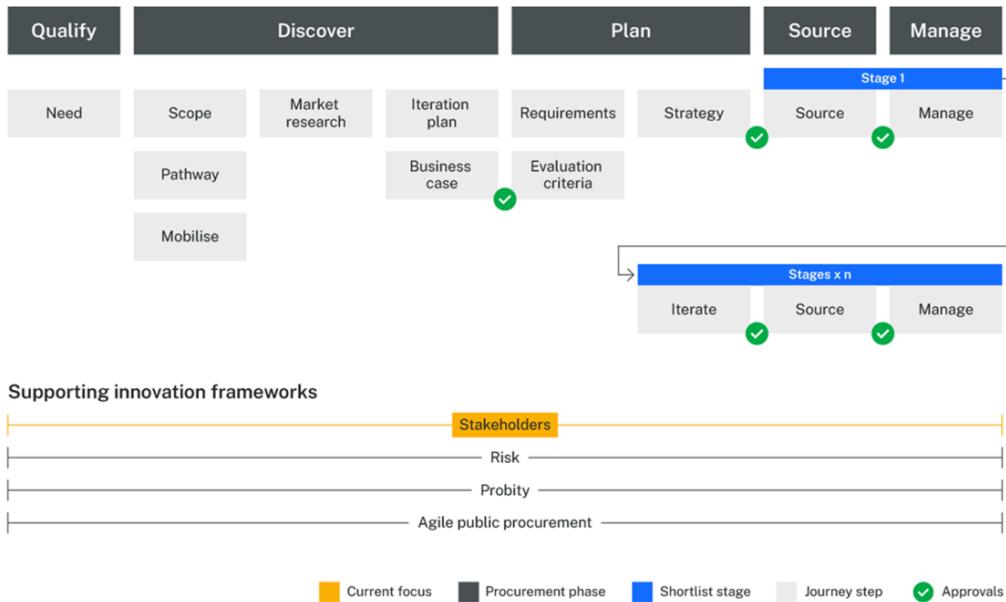


Figure 1: Stakeholder management is one of the key frameworks that supports the innovation buying journey and protects outcomes.

How to apply the Stakeholder management framework in each phase

Expand the boxes below to learn how to apply the Stakeholder management framework in each phase.

[Expand all](#)

[Collapse all](#)

Qualify phase

Create a strong foundation for the buying project by engaging approvers early and aligning on the problem, the value of solving it and the benefits of using an iterative approach that supports testing before buying.

Discover phase

During the Mobilisation step, the core buying team should identify all key stakeholders and define their [roles and responsibilities](#). The buying team will also need to determine the types of input required, the nature of engagement with each stakeholder and its frequency to establish cadence.

Stakeholder involvement will ramp up during the Iteration plan and the Business case steps, as both require broad consultation and specialist expertise. A stakeholder's level of interest in, and influence over, a project's outcome will become more apparent during these steps and may need to be reflected in how they are engaged.

Plan phase

The roles and responsibilities determined during the Discover phase should be documented in the buying strategy during the Plan phase.

Before submitting a buying strategy for approval, all listed stakeholders should understand the project objectives and their role. If impacted, they should have had an opportunity to shape relevant aspects and feel comfortable endorsing the project if asked. For this reason, subject-matter experts may need to join a core buying team to contribute to collective decision-making and attend regular meetings.

Source phase

Stakeholder consultation and contribution is required in preparing market-facing documentation. The buying team needs to confirm the group of stakeholders that will comprise the Evaluation Committee and work closely with them as evaluation stages unfold.

As each Source phase begins, discoveries from prior steps need to be reviewed and reflect any stakeholder changes in stakeholder management structures.□

Manage phase

An agile procurement approach can involve multiple Manage phases and, like Source, involves bringing forward prior lessons to iterate upon and shape future steps.

Any changes made during these phase(s) should be managed through clear communication with stakeholders. It should cover what the change is, why it has occurred and any potential impacts relevant to their role or accountabilities.

Key roles and subject-matter experts

Involving the right subject-matter experts (SMEs) at the right time will help buyers access expertise that can save time and improve outcomes. People running a buying project for the first time may find it hard to identify the expertise they need. Sometimes it isn't clear until it's too late.

SMEs may need to join a core buying team to contribute to collective decision-making and attend regular meetings. Or the process may only need experts for a specific step. Even where their expertise relates to a specific step, it can be helpful to brief them in advance and give them advanced warning of timelines that apply to their input.

Below is a list of different types of expertise buyers might need throughout a buying project including the kinds of contributions they might make. With this list, buyers can make an informed choice about which expertise is relevant to each unique project and which activities to include stakeholders on.

[Expand all](#)[Collapse all](#)

Approver

Early engagement with approvers can save significant delays when it comes time for approval of a buying strategy. Approvers may need to know in advance that an innovation procurement approach is being adopted. They may also need to endorse the investment of more time and resources into setting up the procurement, as well as funding and extra time for trials or other ways of proving potential solutions before committing to one.

Common approvers include:

- Financial delegate (see Financial delegate drop down for more information)
- Chief Procurement Officer or delegate (see Procurement drop-down)
- Chief Information Officer or delegate (See ICT and digital drop-down)

Buyers may also need to consult with, or seek approval from other business units affected by the procurement. We recommend briefing anyone who needs to be part of the consultation or approval on the proposed procurement pathway.

Cyber security

Buyers should identify cyber security experts who can advise on how to meet the mandatory requirements of the [NSW Cyber Security Policy](#) and any agency cybersecurity requirements. Uncertainty about the end solution means specific cybersecurity considerations won't be clear at the start of the project. Identifying the right expertise early and briefing advisors in advance are crucial steps. Keeping advisers involved at relevant stage gates will ensure buyers can access advice easily when needed.

Financial delegate

Buyers should confirm their financial delegate early using their agency's delegation manual. The financial delegate will be responsible for signing off on the procurement strategy from the business side, approving spend and entering into agreements with suppliers. Briefing this critical decision-maker on procurement approaches early can help speed up approvals and achieve buy-in at a senior level.

ICT and digital strategy

Buyers should consult with central ICT and digital teams within their agency or department early in the planning process to ensure they identify relevant ICT stakeholders. Central ICT or digital teams may be able to provide expertise (or help buyers access expertise elsewhere) on any of the following areas:

- alignment with existing ICT products or an ICT pipeline (the [SDA Reuse Policy](#) mandates projects to reuse what is already available)

- alignment with agency or [NSW Digital Strategy](#) ↗ or roadmap
- digital environment including architecture, technology and constraints
- market analysis including product maturity and leading suppliers
- product-specific expertise such as cloud solutions or artificial intelligence
- digital projects already underway delivering similar digital outcomes
- innovation models and supports or services already available.

ICT and digital strategy teams may also be able to advise on any ICT approvals or governance steps that a project may need to factor in to stakeholder management and timelines.

ICT roles typically consulted include:

- Enterprise architect
- ICT specialist
- ICT business partner

Legal

In order for the NSW Government to buy digital solutions, it needs to enter into agreements, which are legal contracts. Planning for this is necessary – even when the end solution is unknown. In innovation procurement, it can be hard to know which agreements to use. This is because the terms and conditions may change with the stages of procurement.

Buying teams can consult the Plan phase guidance on [how to approach contracting](#) ↗ to help manage this uncertainty, which provides a good starting point before approaching agency legal teams.

Tender documentation also generally involves legal terms and conditions. Engaging with a legal representative early ensures the procurement strategy and business objectives can translate into the appropriate agreements, terms, and conditions. The right governance structures allow this information to be revisited at each procurement stage.

Procurement

Procurement teams can advise on the best market approaches to meet the objectives of a buying project. They also ensure compliance with NSW Government and agency procurement requirements.

Buyers should confirm the level of procurement sign-off required using their agency's procurement manual. An agency procurement representative or even the Chief Procurement Officer (CPO) may need to approve a procurement strategy. This depends on the risk and value of the buying project. For innovation procurement, we recommend briefing approvers in advance to avoid delays.

Buyers should also confirm the level of ongoing support and involvement from procurement officers before approvals (and beyond). Innovation procurement can require greater procurement support than projects buying known solutions. Clarifying roles, responsibilities and time commitments early will help procurement teams plan their resourcing, support buyers better and prevent delays.

Procurement roles involved in innovation procurement may vary between agencies and may include:

- Business partner – understands the business unit's objectives and helps translate them into a procurement strategy.
- Sourcing manager – supports or leads the market approach.
- Procurement officer – supports procurement activity.
- CPO (or their delegate) – approval of procurement strategy.

Risk, probity or governance

Buyers should engage a risk, probity or governance subject-matter expert as soon as they know they are adopting an innovation procurement approach. This is because buying innovation creates uncertainty around the end solution. This uncertainty affects evaluation methods and often involves more interaction with suppliers. This expertise can help design a transparent, fair and well-documented procurement process that stands up to scrutiny.

For particularly high-risk or high-value projects, buyers might consider including an independent probity or risk advisor for the life of the project. These kinds of independent advisors serve as a witness to ensure the project follows strong communication, evaluation and governance structures, but they do not replace those structures.

Service designer

Framing requirements in terms of a problem or a challenge statement, helps attract innovative proposals but also requires a niche skillset. Service designers (or a similar role with an equivalent skillset) are best placed to help shape, frame and define the innovation scope. Their contributions include:

- design and facilitation of problem-shaping workshops
- synthesis of workshop insights
- concise problem framing
- definition of the challenge statement for the Statement of Requirements.

If discovery activities have not been undertaken, service designers can undertake [discover lite activity](#) involving workshops with external stakeholders and insight synthesis.

Service designers (or similar role types) are skilled to lead the Mobilisation activities and facilitate workshops. If they are undertaking the Innovation scoping activity, they should take part in project team Mobilisation activities. You should also engage them before the buying project kick-off workshop.

Getting started

[Stakeholder roles and responsibilities ↗](#)

[Engage the right expert for each step ↗](#)

Stakeholder management resources

[Stakeholder roles and responsibilities](#)

Define roles and responsibilities for better project outcomes and stakeholder satisfaction.

east

[Engage the right experts for each step](#)

Identify, engage and manage the experts you need at each step to support your project success.

east

Explore Test and Buy Innovation

- [Stakeholder roles and responsibilities](#) ↗
- [Engage the right experts for each step](#) ↗
- [Mobilise your buying team](#) ↗
- [Agile procurement framework](#) ↗
- [Agile principles and benefits](#) ↗
- [Agile buying for the public sector](#) ↗
- [The innovation buying journey](#) ↗
- [Learn about Test and Buy Innovation Programme](#) ↗
- [Get help from Test and Buy Innovation advisory](#) ↗

Risk of assuming the solution

Learn the risks of assuming the solution and the value of an outcome focused approach to buying innovation.

Even if ICT professionals and buyers update their market intelligence frequently, there is always a risk of their knowledge being outpaced by innovation and technological change. It's unlikely that even the most knowledgeable ICT strategist or specialist can be across every new or emergent technology domain and capability.

This is compounded by the fact that larger enterprises tend to be better known due to their marketing reach, whereas many less familiar small to medium enterprises (SMEs) can be more nimble, innovative and disruptive.

Rather than making risky assumptions, it's important for ICT professionals and buyers to seek outside expertise and learn about the most recent developments. Instead of making assumptions about the best solution, buying teams and their advisors should focus on the problem and the value of solving it.

Some buyers may have experience with using an outcome-focused approach to market. However others might not be aware it is possible, have doubts about the benefits, not know when to use it or how to start.

The risk of locking out innovation

Buyers with the least knowledge often have the highest confidence in their 'innovation solutioning' prowess (Figure 1). They are the most at risk of designing a sourcing approach around established solutions that could lock potential innovation out of a tender.

As buyers gain greater technology solution knowledge and experience, they become more aware of the gaps in their knowledge. As their confidence in pre-determined solutions falls away, they can become more open to innovative possibilities.



Figure 1: While some buyers have significant innovation domain knowledge and expertise, buyers with much lower maturity simply don't know what they don't know about the most innovative ways to solve their challenge.

Impacts to innovative problem solving

Making assumptions about the solution can have several impacts on the ability of a buying project to access innovation or solve a problem. Expand the headings below to learn about each impact.

[Expand all](#)

[Collapse all](#)

Failure to solve the problem or the root cause

- Buyers can make assumptions about a solution to address a superficial problem, but might find it doesn't address the underlying causes or solves the wrong problem.
- Missed requirements: Important requirements and nuances may be overlooked, leading to a solution that doesn't fully address the problem.
- Stakeholder misalignment: The solution might not meet the needs of all stakeholders, leading to dissatisfaction and resistance.

Innovative solutions may not fit existing buying categories

- Buyers can have difficulty finding suppliers of innovative products or solutions, especially when the products or solutions do not fit established procurement categories.
- An innovative solution might be difficult to compare to known solutions, have broader application than the procurement scope or exceed requirements set in a tender.

- Innovators solve problems using novel approaches and emergent solutions that buyers may not yet know, understand or anticipate.
- Emerging technology solutions can support additional use cases that an individual buyer might not prioritise but which could generate future benefits across the NSW Government.

Failure to future-proof investments

- The rapid changes in the ICT and digital industry mean that assumed solutions are more likely to become outdated once delivered.
- This can be true even for technology experts within government. Missing out on the latest market developments makes it challenging for the NSW Government to future-proof its technology investments.
- The chosen solution may rely on older technologies that do not leverage the latest advancements, resulting in reduced efficiency and effectiveness.
- Innovative solutions that could offer better results might be missed if they are not identified and considered.

Implementation challenges

- Known 'out-of-the-box' solutions might superficially appear to meet buyer requirements but can end up needing unplanned customisation or having significant integration constraint.
- Solutions that are not well-researched might face compatibility and integration issues with existing systems.
- Assumptions may lead to underestimating the complexity of implementation, resulting in delays and disruptions.

Barriers to market engagement

In 2022 and 2024, suppliers of innovative and emerging technology solutions were engaged to provide feedback on NSW Government innovation practices. They identified the following barriers to innovation:

- Lack of two-way communication connecting problems to solutions across NSW Government as a barrier to innovation.
- Emerging technology suppliers stated that they preferred not receiving prescriptive tender specifications and assessment based on a narrow, or standard set of criteria of an assumed solution. They preferred to be asked how well a solution solves a problem. A clear, concise, well-defined problem was cited as an essential component of innovation. It provides suppliers with an understanding of business and users' needs and affording them the freedom to solve it as they choose.
- When buyers overlook suppliers of emerging technology due to assumptions about the end solution, those suppliers take their business to other jurisdictions. Attracting the brightest

and best innovators has been stated as a key objective of the NSW Government so it can build a world-class innovation partnership ecosystem.

The advantages of focusing on the problem (mitigants)

Adopting an outcome-focus, or focusing on the problem to be solved, has several advantages over assuming a solution.

Expand the headings below to learn more about each advantage.

Expand all

Collapse all

Delivering value

- According to some accounts, inventor of the automobile, Henry Ford knew that horses were too slow. But this wasn't really the problem that needed solving. Ford's customers thought they needed a faster version of what they already had, but Ford understood their deeper purpose – to get from one place to another faster. This distinction helped him avoid engineering a faster horse and instead opened the doors to engineer something that had never existed before.
- Not every idea should be executed. Not every problem needs to be solved. A well-framed problem statement helps determine what delivers highest value and what should stay on the drawing board.
- Emerging technology providers may offer opportunities to modernise. Innovative suppliers heavily market the 'latest thing' to potential buyers. These services might not be successful, meaningful or valued by the business and users. Understanding and starting with the problem delivers the best return on investment.
- Undertaking a design discovery can help trace root causes, confirm the value of solving the problem and concisely articulate the challenge to be solved.

Alignment and consensus

- Buyers, stakeholders, designers, solution providers and users each have a different mental model of what a solution or product should be. The biggest advantage of framing a problem is the ability to align these views.
- Engagement and mobilisation of key stakeholders and structured collaborative problem shaping help drive information sharing and build scope consensus. Following the practical steps to collect multiple perspectives sparks effective conversations, shared understanding and sound decision making. With a united view and formal sign-off on the ultimate purpose of a solution, the buying process can run more effectively and efficiently.

Identify barriers and opportunities

- When the problem is clearly stated at the beginning of a buying project, it helps uncover opportunities for the market to solve challenges. Had the buying team assumed a solution and set specifications, these opportunities might have gone unnoticed.
- Because problem statements are rooted in a user's purpose, they also help move away from assumptions and see what barriers stand in the way of successfully reaching an end goal.
- Innovative solutions that could offer better results might be missed if they are not identified and considered.

Resources

[Innovation eligibility checklist ↗](#)

[Buy, build or borrow](#)

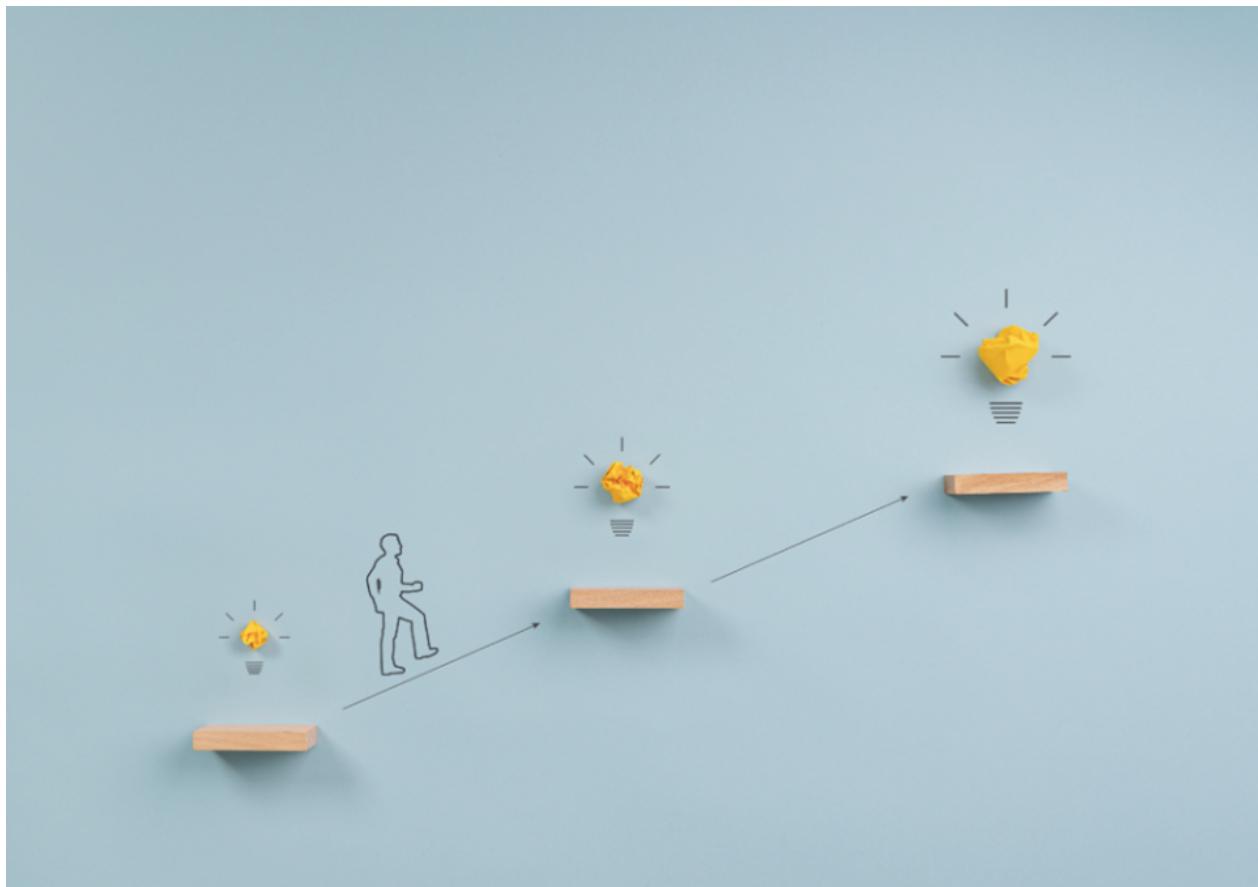
[Risk management when buying innovation ↗](#)

Explore Test and Buy Innovation

- Build market insights iterativelyeast
- Sources of market informationeast
- Buying pathwayeast
- Scope for innovationeast ↗
- Set up for successeast ↗
- Conduct market researcheast
- Get help from Test and Buy Innovation advisoryeast ↗
- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programmeeast ↗
- Risk management when buying innovationeast ↗
- Align your need with strategeast ↗
- Buy, build or borroweast ↗

Develop your iteration plan

Navigate agile procurement for the public sector through structured and well-governed stages of testing, evaluation and decisions.



Iteration is the process of using insights from one step or stage to refine the subsequent step or stage. It is a key feature of the agile procurement framework that underpins Test and Buy Innovation.

Read more about [agile procurement](#).

An iteration plan identifies potential learning points and insights that could emerge at each stage of the innovation buying journey. An iteration plan is not usually part of the suite of documents used in procurement, but is strongly recommended for innovation buying projects because it:

- helps buying teams anticipate what could change and when
- creates flexibility to respond to emerging risk profiles
- provides scaffolding for change governance
- gives approvers confidence that an agile procurement will be well managed.

Why innovation buying strategies change

When buying known solutions, procurement strategies tend not to change once they have been approved. Change is more likely when we are open to a range of solutions. Uncovering new information is a positive sign that innovation is occurring. New information results in evolved understanding of preferred solutions and their risk profiles. Adapting the procurement approach is an indicator that innovation is being managed responsibly.

Changes to procurement approaches should therefore be expected and welcomed. NSW Government buyers face the challenge of completing a procurement strategy and getting it approved before approaching the market. On top of this, buyers must ensure that any change decisions are well-governed. They have obligations to safeguard probity and comply with procurement policies, agency processes and delegations.

This page supports NSW Government buyers to iterate a procurement strategy and give decision-makers confidence in how changes will be managed.

When to develop your iteration plan

Buying teams should discuss iteration planning early in the Discovery phase. They should develop a structured approach to iteration and change management concurrently with the Business case step.

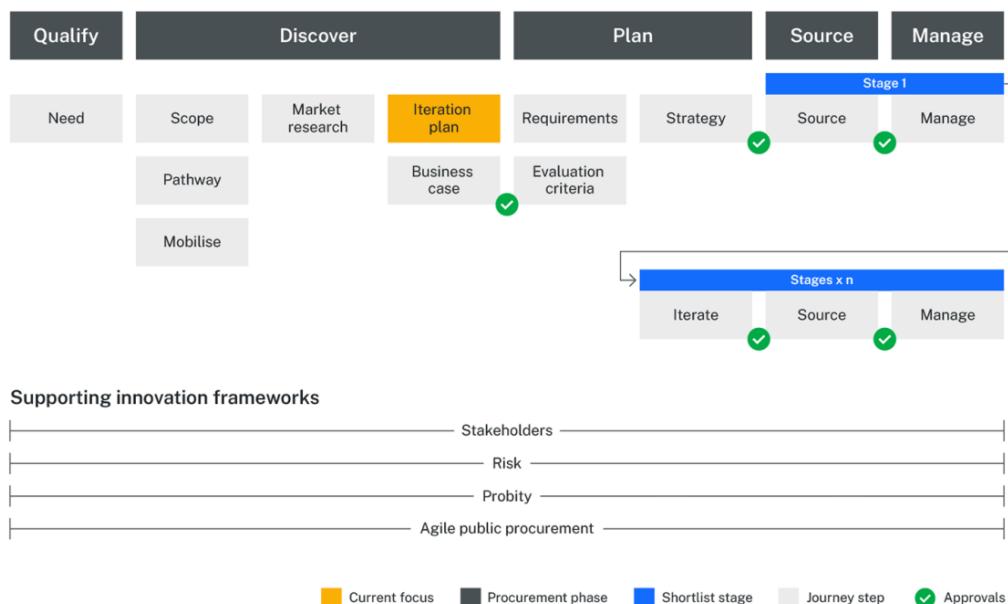


Figure 1: Buying teams should plan for iteration in the Discover phase after Scope for innovation and Conduct market research steps, but before entering the Plan phase.

Depending on the complexity of the solution and project requirements, iteration planning can take a few hours to several days.

The output of this step should be an iteration plan that articulates what changes are expected, when they are expected and how they will be managed by the buying project. It should include any formal 'gates' between testing stages. The buying team will draw on the iteration plan to create a procurement strategy in the Plan phase of procurement and to prepare market-facing documentation in the Source phase.

Who to involve

Buying teams should consult a wide range of stakeholders as part of iteration planning. Expand the boxes below for suggested stakeholders to include and how they can contribute to the process.

[Expand all](#)

[Collapse all](#)

Risk professional

Risk expertise can help ensure the approach to iteration is transparent, fair, well-documented and stands up to scrutiny. Risk experts and buying teams should go into this exercise with a shared understanding that adaptation is a critical way to manage risk.

Risk experts can then help ensure that each iteration supports capturing new risks and implementing controls at each stage.

For example, upon receiving and evaluating supplier proposals, the buying team may need help capturing and managing new risks that are uncovered with the emerging solutions. A risk expert can help plan for this.

ICT professional

Buyers should consult with central ICT and digital teams in their agency or department early in the iteration planning process. This is to ensure they identify relevant ICT stakeholders who will need to provide technical expertise.

When applying an outcome-focus, detailed technical specifications only begin to emerge as suppliers propose solutions. ICT teams have specialist knowledge of how to identify and use technical insights, which will be critical through the iteration process.

This helps ensure proposed solutions are assessed for strategic alignment at the appropriate stage. It also helps ICT teams plan the availability of certain domain experts to align with stages that require more technical input or evaluation.

Procurement professional

Innovation procurement can require greater procurement support than projects buying known solutions. Clarifying roles, responsibilities and time commitments early will help procurement teams better plan resourcing, support buyers and prevent delays.

As more information is uncovered and lessons are learned, procurement involvement may be needed through the iteration process to:

- ensure procedural fairness for requirements and evaluation
- facilitate communication with suppliers
- ensure compliance with policies.

Service designer

Service designers (or similar role types) are skilled to lead mobilisation and challenge framing activities and facilitate workshops. The outputs from a well-run kick-off workshop will set up the initial iteration planning meeting for success.

In addition, they can help refine insights from market research, requirements, evaluation, staged engagement activities and lessons learned.

Operational business and/or technology owners and end users

Buying teams should engage business function owners, solution owners and users as part of iteration planning to get their input on, and plan for their availability for:

- stakeholder identification and (where relevant) facilitating partnerships
- defining requirements
- developing evaluation criteria
- end user testing
- participating in the evaluation process
- identifying new insights and agreeing on any actions or adaptations
- iterative quality assurance.

Probit

Probit advisors serve as a witness to ensure that iteration planning follows strong communication, evaluation and governance structures as new information is uncovered. If engaged early, they can help design well-governed and probity-rich decision gates and communication processes. The iteration plan needs to consider probity in how iteration outcomes are communicated to suppliers as the procurement progresses.

Resources

[Changes to expect](#)

[Governance of change](#)

[A rough guide to stages](#)

Resources to develop your iteration plan

[Changes to expect](#)

Plan for and manage changes to the strategy over the life of a procurement.

east

[Governance of change](#)

Tailor content to explain why change is expected, and provides confidence.

east

[A rough guide to stages](#)

Learn about objectives, information needs, risks, costs, approvals and processes for each stage.

east

Explore Test and Buy Innovation

- [Understand and apply an agile framework](#)
- [Changes to expect](#)
- [Governance of change](#)
- [A rough guide to stages](#)
- [Build market insights iteratively](#)
- [Staged evaluation criteria](#)
- [Buying pathway](#)
- [Get help from Test and Buy Innovation advisory](#) ↗
- [The innovation buying journey](#)
- [Learn about Test and Buy Innovation Programme](#) ↗

Agile principles and benefits

Discover agile project management principles, uncover benefits and access Digital NSW resources.

Agile is a relatively new way of delivering government services that makes it easier and quicker to build the right thing for users. At the heart of agile is the idea of failing fast, learning quickly and adapting.

For best results, buying teams applying the agile public procurement framework to their buying project should also consider using agile methods in project management.

This page provides some guidance on agile project management principles and methods. If buying teams need further support to apply agile methods outside of procurement contexts, they can refer to the resources linked on this page. They may also be able to consult with agile experts within their agency.

Agile management principles

These principles are based on the [Agile Manifesto](#) ↗ which highly values individuals and interactions, working software, customer collaboration and responding to change.

- **Satisfy the customer** – Deliver valuable software early and continuously.
- **Welcome changing requirements** – Adapt to change, even late in development, to give customers a competitive edge.
- **Deliver frequently** – Release working solutions every few weeks to a few months, preferring shorter timescales.
- **Collaborate regularly** – Cross-functional people should work together daily.
- **Build around motivated individuals** – Give teams the environment and support they need and trust them to deliver.
- **Use face-to-face conversation** – The most effective way to share information is direct conversation.
- **Measure progress by working solutions** – A working product is the main measure of progress.
- **Support sustainable progression** – Teams should be able to work at a constant pace indefinitely.
- **Aim for technical excellence and good design** – Continuous attention to quality improves agility.
- **Focus on simplicity** – Maximise the amount of work not done.

- **Encourage team autonomy** – The best designs emerge from self-organising teams.
- **Retrospective** – Regularly review how to be more effective, then adjust behaviour.

Benefits of agile approaches

Agile methods can provide a structured way to develop more innovative ICT products, services and accomplish better project outcomes. Click on the dropdown menu below to see how agile methods can help.

Expand all

Collapse all

Solve the right problems

Taking time to understand who uses a service and investigating underlying issues before building helps you design a service that meets both user needs and policy goals. Innovation may be reduced if communication becomes harder to manage.

Reduce risk

Testing potential solutions directly with users, capturing their feedback early in the design process and being adaptable to change helps with prompt detection of issues and defects. This ensures services are on the right track and will work well for end users, decreasing the risk of missed objectives.

Save money

Making small, iterative adjustments as you design and build a service ensures that good ideas are implemented properly the first time and avoids big, costly fixes later.

Improve stakeholder outcomes

Encouraging regular collaboration and feedback increases the chances for success through more focused efforts. This leads to increased stakeholder satisfaction, greater transparency and higher quality deliverables.

Improve the value of outcomes

Focusing on agility and an iterative test and learn approach can result in better alignment between the final solution and the business objectives, ensuring better outcomes and value creation.

Optimal project control

Using agile ways of working increases productivity and reduces waste through minimisation of resources while providing structure for greater flexibility and adaptability to change.

NSW Government agile project management resources

To help buyers establish their own agile project management structures, this section summarises information from Digital NSW. It also provides interpretation to help buying teams apply this material to public procurement.

[Expand all](#)

[Collapse all](#)

Digital NSW Agile approach to service delivery

The Digital NSW Digital Service Toolkit includes a section on [Agile approach to service delivery ↗](#). It outlines how the service design and delivery process is an agile approach that helps us put users at the heart of our work.

It adopts defined stages portrayed through a 'double diamond'. It also explains that agile processes reduce risk around big decisions by "breaking a large risk into smaller, more manageable risks" where the more risky assumptions can be tested early.

The Digital NSW delivery process

The [Digital NSW Delivery manual ↗](#) outlines how the Digital NSW delivery process is based on leading practice digital design standards and human-centred design and provides guidance on how to apply an agile delivery approach.

Agile procurement resources for the public sector

[Agile buying for the public sector ↗](#)

Explore Test and Buy Innovation

- [Stakeholder management ↗](#)
- [Stakeholder roles and responsibilities ↗](#)
- [Engage the right expert for each step ↗](#)
- [Mobilise your buying team ↗](#)
- [Agile procurement framework ↗](#)
- [Agile buying for the public sector ↗](#)
- [The innovation buying journey ↗](#)
- [Learn about Test and Buy Innovation Programme ↗](#)

- Get help from Test and Buy Innovation advisoryeast ↗

Build evidence for your case for change

Adopt a staged approach to business decisions that supports innovation while gathering evidence to manage the risks associated with uncertainty.



Committing to uncertainty

Approvers of buying projects should feel comfortable with the evidence base for any procurement decisions they make. When buying innovation the end solution is not known, meaning approvers do not have access to a detailed assessment of benefits, costs, risks or controls.

With so much uncertainty, the decision to commit to a buying project can be difficult, despite having a foundation of good problem definition and market research. Approvers need confidence to commit to a market approach. They need clarity on staged decision-making and want assurance that more robust evidence will be available at the right time to support further decisions.

Put your best foot forward

Innovation buying teams must balance the need for an approved procurement approach with the knowledge that new information will emerge over the course of the buying project.

There are limits to what insights can be gained from market research. Buying teams need to lean on the procurement process itself to address any unanswered questions.

Before approaching the market, many NSW Government agencies expect buyers to have a confirmed budget and project mandate. This can be challenging when the end solution is unknown. Given the uncertainty of innovation, many assumptions would need to be made to complete a business case. This would create a range of barriers to innovative solutions.

Innovation buying teams need support to work with uncertainty, limited market insights, staged business cases focused on the problem definition and case for change, and budgets focused on seed funding to explore options.

Plan to iterate

A good iteration plan demonstrates the limited scope of each decision to decision-makers and provides assurance that the right information will become available as needed. It relieves the pressure of needing to make early decisions with incomplete insights, making space for innovation.

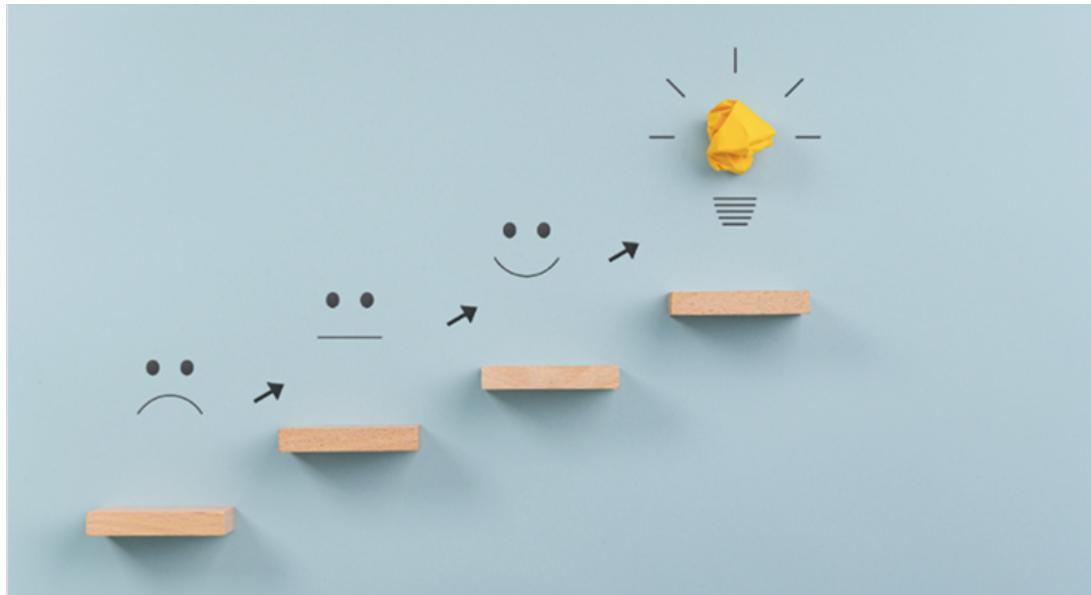
Iteration planning allows the project team to anticipate change and ensure it is managed. An iteration plan sets up and communicates structured learning and decision points such as:

- **market insights** – solution types, capability, maturity and competition
- **business case** – the case for change, options analysis, costs, benefits and risks
- **funding** – budgets, investment risk, life-cycle costing, internal resourcing.

Learning and adapting are at the heart of iteration. Learning means systematically uncovering new information. Adapting means making decisions based on new evidence. When a final decision needs to be made after several iterations, approvers should have the robust evidence they need.

These resources support buying teams to base their approved procurement approach on foundational evidence, plan for change and build stronger evidence over multiple stages to support budget and business case decisions.

Tools to help gather market insights, develop an iteration plan and prepare a budget and business case

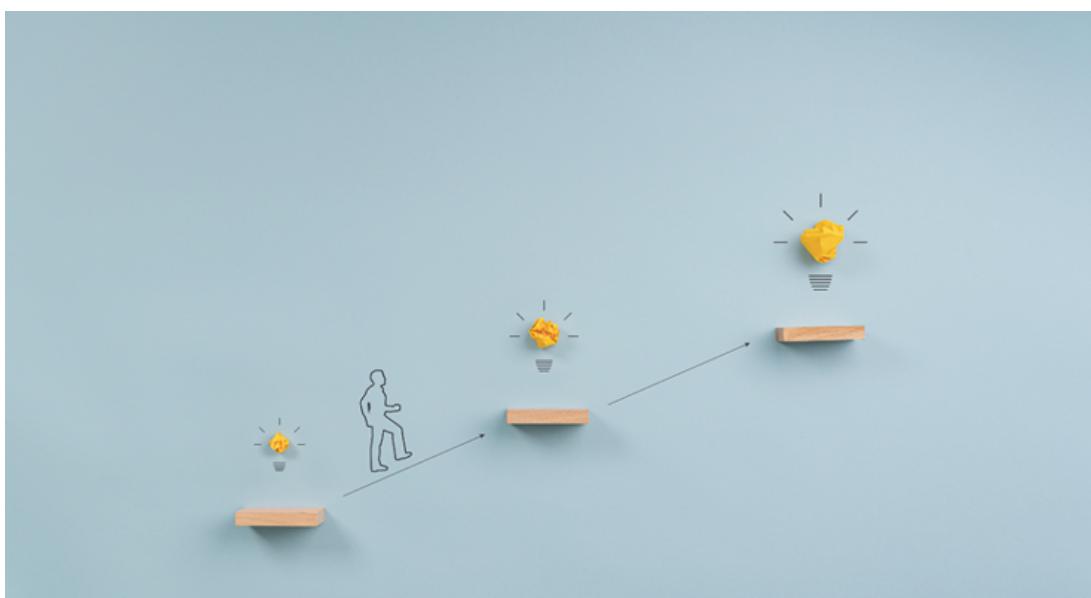


Conduct market research

Iteratively gather market intelligence across emergent domains that involve uncertainty.

- Scope and purpose of market research
- Build market insights iteratively
- Sources of market information
- Risk of assuming the solution

[View more](#)



Develop your iteration plan

Learn how to apply an outcome focused, staged approach to your buying project.

- Why innovation buying strategies change ↗
- Changes to expect
- Governance of change
- A rough guide to stages

[View more](#)



Set budget and business case

Adopt a staged approach to budget and business cases to encourage innovation.

- Prepare your business cases
- When to undertake and who to involve
- Staged approach to budgets
- Staged approach to business case

[View more](#)

Explore Test and Buy Innovation

- Innovation eligibility checklisteast
- The innovation buying journeyeast

- Stakeholder management [east](#)
- Learn about Test and Buy Innovation Program [east](#) ↗
- Get help from Test and Buy Innovation advisory [east](#) ↗

Define the buying project outcome

Hold an effective alignment session between the buyer and the procurement officer.

Buyer and procurement alignment

Before a buying team can start work, they should agree on what they are working towards. This milestone involves a buyer and a procurement officer holding an alignment session (estimated 1–2 hours*). *Duration will vary with project complexity and resource availability.

This first mobilisation milestone is about the buyer and the procurement officer asking the right questions, getting clear and sharing a common understanding on things like:

- the business objective and outcome the buyer is trying to achieve
- the problem the buyer is trying to solve
- identifying the kind of people the buying project will need to involve.

Success for ‘Define the buying project’ milestone looks like:

- stakeholders and their roles in the project are identified
- buying project responsibilities, accountabilities and consultation or information needs (RACI) have been identified
- the buying objective has been documented and there is a draft work plan and stakeholder communication plan
- buyer and procurement officer can easily explain the problem or opportunity, the desired outcomes and who the team will involve.

Who to involve in this milestone

At the beginning of the buying project, the buyer and the procurement officer should come together. They should form a common understanding of the business objectives and agree on how they will work together.

[Expand all](#)

[Collapse all](#)

Buyer

This page supports buyers or their agents (e.g. product owners or project managers) to:

- brief a procurement officer on the business objective and desired business outcome
- share and agree on anticipated stages, activities and timelines

- identify project stakeholders, roles and responsibilities in a RACI matrix
- identify subject-matter experts (SMEs) for the core buying team
- identify approvers and criteria for their support.

Procurement officer

This page supports procurement officers to:

- align with the buyer on the business objective and desired business outcome
- give advice on anticipated stages, activities and timelines
- identify project stakeholders, roles and responsibilities in a RACI matrix
- identify subject-matter experts (SMEs) for the core buying team
- identify approvers and criteria for their support.

Alignment session guides and templates

This page refers to workshop templates, guidance and samples.

We are currently testing the resources that we have developed. They are available on request for guided use in conjunction with the Test and Buy Innovation (TBI) advisory team. The advisory team will ensure that they tailor the resources to the project's needs and incorporate any improvements back into the resources.

To access the mobilisation workshop guide and template resources, or if you need help engaging resources to lead this activity, contact the TBI advisory team at InnovationProcurement@customerservice.nsw.gov.au. If you have any trouble accessing a file or document on this page, you can request an accessible version from the same email address.

Alignment session template 1: buying objectives, current situation and problem

Estimated duration: 30 minutes – 1 hr (varies with project complexity, delays due to people's availability may need to be factored in).

Buyer and procurement officer align on:

- buyer's desired outcome
- buying objectives
- strategic drivers
- situation, needs, problem, opportunity and evidence
- progress to date

- concerns or constraints
- innovation buying prior experience, maturity and risk appetite.

Resources

Align on buying objectives, current situation and problem session template and guide ↗.

Alignment session template 2: timelines, milestones, risk mitigants and assumptions

Estimated duration 15 – 30 minutes (varies with project complexity, delays due to people's availability may need to be factored in).

Buyer and procurement officer align on:

- timelines and milestones
- risk mitigants, assumptions and questions.

Resources

Align on timelines, milestones, risk mitigants, assumptions session template and guide ↗.

Alignment session template 3: roles and responsibilities, and innovation procurement support needs

Estimated duration 15 – 30 minutes (varies with project complexity, delays due to people's availability may need to be factored in).

Buyer and procurement officer align on:

- RACI: roles, responsibilities, accountabilities, people
- governance: roles, responsibilities, people
- stakeholder engagement: roles, people, influence, interest, communication types and frequency
- required innovation procurement support levels.

Resources

Align on buying project roles and responsibilities and project support session template and guide ↗

Learn more about buying project [stakeholder roles](#).

Next mobilisation milestone

Organise people

Explore Test and Buy Innovation

- Organise peopleeast
- Align the buying teameast
- Stakeholder managemeasteast
- Key mobilisation milestoneseast
- Mobilise your buying teameast
- Set up for successeast
- Learn about Test and Buy Innovation Programeast ↗
- Get help from Test and Buy Innovation advisoryeast ↗
- The innovation buying journeyeast

Prepare a Statement of Requirements

How to prepare a Statement of Requirements that will attract innovation and support evaluation.

What requirements should look like for innovation

When the end solution is not known, deliverables, timelines, milestones, constraints and pricing are subject to uncertainty. They may depend on the nature of the end solution, which makes it hard to communicate expectations to suppliers through a Statement of Requirements. Existing templates need amending to support an innovation procurement.

Expect to tweak templates for innovation procurement

Documenting requirements for innovation procurement generally means tweaking a standard Statement of Requirements template to accommodate a challenge statement, outcomes-based approach and/or multiple stages.

Statement of Requirements templates designed to capture fixed specifications are suitable when the buying team is confident that it knows and understands the solution. A standard template can be well-suited for the later '[Build it with us](#)' or '[Implementation](#)' stage of a [multi-stage procurement](#). By those later stages, buying teams have narrowed down their preferred solution and can document specific requirements and timelines. For example: a Minimum Viable Product (MVP), pilot or full-scale implementation.

However, when first approaching the market, this level of certainty and detail is not available. A Statement of Requirements for the initial market approach should focus on the challenge statement. It may only provide deliverables and timing information in relation to the planned testing stages rather than solution delivery. Buying teams should include some technical requirements and/or constraints if they are show-stoppers, but most would come at a later stage.

Between the first and last stage (for example, at the 'Prove it works' stage) a combination of a challenge statement and a level of specification is appropriate. This stage involves testing technical feasibility in a limited scope experiment. It happens once one or more probable solutions have become evident.

This page supports buying teams to make the most appropriate amendments to Statement of Requirements templates based on their unique innovation buying project.

Guidance on structuring requirements for the 'Proof of Concept' (PoC) or 'Build it with us' stage of an innovation procurement will be coming soon. If you have a query that concerns writing requirements for a PoC, please contact the Test and Buy Innovation team at InnovationProcurement@customerservice.nsw.gov.au

Documenting deliverables

This section provides an overview and sample phrasing for how to approach the deliverables and timelines sections of the Statement of Requirements for innovation procurement.

Deliverables

The deliverables section of a Statement of Requirements instead usually focuses on the products or services the supplier is expected to provide. Since these are unknown at the initial market approach, the content of this section will depend on the type of market approach and the stage (if a multi-stage procurement). Expand the boxes below to learn how to approach deliverables for the relevant stage.

[Expand all](#)

[Collapse all](#)

Expression of Interest or Request for Information

Context

An Expression of Interest (EoI) or Request for Information (RFI) is used to understand the appetite, possible solutions and capabilities in the market. These insights help to create a procurement strategy. Participating in an EoI or RFI should be relatively low effort for suppliers, with summary-level information requested and a limited burden of proof.

Insights from an EoI or RFI can inform more detailed requirements and deliverables for an eventual tender once more is understood about potential solutions and the state of the market.

What to cover

The deliverables section for an EoI or RFI should focus on the information the buying team is asking suppliers to provide. Information may be requested in writing or as part of a pitch or demonstration, depending on the nature of the project and the type of insights needed. The request will usually be through direct questions in a supplier response schedule but could also appear more generally in deliverables. Suppliers might be asked for:

- explanation of how a solution could address a specific challenge
- whether a functional requirement can be met either fully or partially
- indication of whether **non-functional requirements, including requirements for working with the NSW Government**, can be met

- evidence of knowledge about the project context
- alternative approaches to solve the problem and/or feedback on the framing
- benefits of the solution or the case for change
- description of how a solution is usually tested and/or delivered.

Suppliers may need to refer to other content to prepare their response. The deliverables section should link to relevant content using section or attachment names clearly, and in a way that makes it easy for suppliers to jump back and forth. The other content may include:

- minimum eligibility requirements, also called mandatory criteria, including requirements for doing business with the NSW Government
- an indication of requirements that will likely need to be met at a later stage of the procurement depending on the type and scale of services being procured
- a challenge statement, including detail about the current state, user stories, desired outcomes and constraints.

With the goal of gathering insights, buying teams should minimise mandatory requirements. This ensures they can adjust to new insights and mitigate any specific risks arising, rather than attracting few eligible responses. To make this clear to suppliers, include a paragraph like the below along with any lists of requirements:

Example 1:

'We acknowledge that suppliers may not meet all requirements. The information gathered through this RFI will serve as insights into these gaps and may help develop collaborative strategies and ways of working within the identified constraints.'

or

Example 2:

'If Respondents progress to future stages, [AgencyName] will, at the appropriate time, assist them to further understand and navigate these requirements. Any specific questions relating to future requirements can be raised via the questions process outlined in section [X].'

Tell us stage – the start of a multi-stage procurement

Context

In a multi-stage approach, the buying team develops a single procurement strategy and approaches the market once. After this they rely on short-listing through testing and evaluation stages.

With each stage, the buying team builds their knowledge of suppliers and solutions. This enables the team to tighten requirements and deliverables ahead of each stage.

What to cover

The staged nature of deliverables should be communicated clearly to suppliers, as well as any criteria for short-listing or progressing from one stage to the next. Examples of some variations that buying teams might consider, and which need to be clearly explained, include:

- the ‘Prove it works’ stage might apply only to solutions where the solution is not mature or there is limited evidence it has been implemented in comparable contexts
- the ‘Implement at scale’ stage might proceed without a “Prove it works” stage if a mature solution is found to have met all requirements
- stages might run concurrently for different use cases, if different solutions are found to have different applications and maturities.

Rather than covering detailed requirements, the deliverables section should outline:

- the number of proposed stages and the name of each stage
- the minimum expectations for the delivery of each applicable stage
- the pathways and/or criteria for progressing between stages
- the minimum response expected for the initial Stage 1 Proposal.

Detailed requirements (a challenge statement in the first stage) should be described later in the document under a separate heading or as an attachment.

Buying teams can adapt the following example for their Statement of Requirements.

‘The Project has three defined stages of deliverables: a Proof of Value stage, a Proof of Concept stage and a Scale stage. Suppliers will be short-listed for each stage based on deliverables from the prior stage, in accordance with evaluation criteria in section [X].’

‘By participating in this tender, the Respondent commits to delivering the following as a minimum for each applicable stage:

- **Stage 1 Proof of Value** – demonstration (or pitch) of how solution can solve the problem described in the challenge statement, with reference to user stories, desired outcomes and constraints.
- **Stage 2 Proof of Concept** – depending on the nature and maturity of solutions, a limited implementation, sandbox testing, trial, Minimum Viable Product or pilot.
- **Stage 3 Implementation** – depending on the nature of the solution, an agreed implementation plan covering configuration, integration, user training and ongoing support.’

‘The Respondent must respond to a minimum of 1 of the use cases described in section [X] for their Stage 1 Proof of Value Proposal.’

For more detailed suggestions for how to describe the deliverables of future stages, expand the box for each relevant stage.

Show us stage

Context

The ‘Show us’ stage usually involves an interactive presentation providing more insight into a proposal. This could be a demonstration of an off-the-shelf product. It could cover how the product would be tailored for the user stories described in the challenge statement. It could be a pitch, a presentation, or another interactive format that helps bring a solution to life.

What to cover

Buying teams can choose to communicate their expectations for the ‘Show us’ stage to suppliers as part of the initial market approach. Or they can wait until after they have short-listed suppliers based on written responses.

Communicating expectations upfront has the advantage of reducing the amount of notice suppliers need to take part in the ‘Show us’ stage. It can also speed up the evaluation process. However, buying teams will need to invest time into defining the scope of the ‘Show us’ stage to ensure suppliers understand what is expected of them. This can delay the initial market approach.

If buying teams wait until after short-listing to set expectations, they will need to factor several weeks into timelines for suppliers to understand and deliver against the ‘Show us’ scope. The advantage of waiting is that, if buying teams find gaps in their insights from written proposals, they can ensure they are addressed in the scope of ‘Prove it works’ stage. All short-listed suppliers would receive the detailed stage deliverables when invited to participate. This option gives the buying team more agility and adaptability. It also ensures fairness and transparency for suppliers.

An example of how deliverables can be described up-front for a ‘Show us’ stage, in this case a Proof of Value, is below. Deliverables might become more detailed if buying teams refine the scope after evaluating written responses.

Show us example – Proof of Value (PoV)

Shortlisted respondents will be invited to undertake a Proof of Value to demonstrate their understanding of the challenge and selected use case(s), the capability and case for change and benefits of the proposed solution. The Proof of Value must propose solution(s) for at least one of the use cases specified in the Statement of Requirements and may also propose alternative or use cases for their Proof of Value.

Proof of Value demonstrations will take place in-person on [date] with 90 minutes allocated to each respondent. Virtual demonstrations will be considered on a case-by-case basis. By participating in this tender, respondents commit to being available to participate in Proof of Value demonstrations.

The session will consist of 10 minutes of NSW Government introduction, 60 minutes for respondent presentation and 15 minutes for questions. Respondents may use one or more forms of media to demonstrate and provide evidence to support the information provided in their written response. These media may include PowerPoint presentations, product demos, videos and prototypes.

Further information relating to protocols will be issued to respondents closer to the date.

Prove it works stage

Context

The ‘Prove it works’ stage aims to determine if the solution is technically feasible. There are many ways to achieve this. Buying teams may need to be able to adapt the stage to the nature and maturity of solutions before it starts. To enable this, expectations for this stage should be set at a high level only at the initial market approach, with clear criteria for when the stage might apply (e.g. for less mature solutions that do not have live customers).

What to cover

More detailed deliverables can be given to short-listed suppliers when they are invited to participate in the stage. The initial market approach document should clearly signal that the stage scope and requirements deliverables will be communicated to eligible suppliers, and when this will occur.

Below is an example for an optional Proof of Concept stage. Deliverables for the stage would be much more detailed and, at this point, technical once the stage is ready to start.

Example Stage 2 - Proof of Concept (PoC)

Shortlisted respondents from the ‘Show us’ Proof of Value (PoV) stage may be invited to participate in the ‘Prove it works’ stage to undertake one or more Proofs of Concept (PoCs). This may occur where additional validation is required of the technical basis and commercial feasibility of all or part of the proposed solution from the PoV. During the PoC, Respondents will be asked to further develop the proposed solution, such as through testing the product or service in an on-premise environment.

The decision to proceed with the PoC stage will depend on the outcome of the PoV stage, and [AgencyName] will determine whether to pursue this optional Stage for all or part of the proposed solution presented in the PoV.

Following completion of the PoV, shortlisted Respondents will receive a Statement of Requirements that details the deliverables for the PoC.

Build it with us or Implement solution stage

Context

The ‘Build it with us’ stage, if used, aims to confirm the solution is commercially feasible and suppliers are viable. At the ‘Implement at Scale’ stage, buying teams should have achieved the aims of all earlier stages, as well as determining whether the solution is viable at scale.

Suppliers invited to take part in this stage would be evaluated through co-design processes, further tests and/or detailed plans. In the end, the successful supplier would be contracted to deliver and/or operate a solution.

Buying teams may need to be able to adapt the design of this stage to the nature and maturity of solutions before starting. Just as for the ‘Prove it works’ stage, expectations should be set at a high level only at the initial market approach.

What to cover

The deliverables section at the initial market approach should:

- briefly set expectations by providing examples of what constitutes a deliverable for the future stage
- signal that the final stage will include a Value for Money assessment
- signal that successful suppliers will be invited to submit scale proposals.

Before inviting suppliers to this stage, buying teams will need to define the stage deliverables (and/or final and ongoing deliverables) using a standard specification-based Statement of Requirements.

An example of how this can be communicated at the initial market approach is below.

‘Implement at scale’ example – Implement solution

Suppliers of successful Stage 1 Proofs of Value (PoV) and/or Stage 2 Proofs of Concept (PoC) may be invited to submit a Proposal Form for Stage 3 to enter into a contract to implement solutions for the priority use case and/or the identified potential future use cases.

Insights from the PoV and PoC stages will be used to define the final deliverables, which may include licensing, systems integration and/or managed service contracts.

Respondents will be assessed against information supplied in each stage of the RfP as well as information and deliverables for this stage against evaluation criteria for the selection of one or more appropriate solutions for the project. The final evaluation will include a value-for-money assessment.

Resources

[Statement of Requirements scope of deliverables samples ↗](#)

Documenting timeframes

The timeframes section should cover key milestones and expected timing for the initial stage, including, where relevant:

- supplier dialogue, briefings and/or question and answer sessions
- cut-offs for questions and responses to questions
- tender close
- evaluation period
- contract award
- notification of outcome and invitation to debrief.

In a multi-stage procurement, the duration of subsequent stages could range from 6 weeks to a year depending on the level of testing built into the buying pathway. Therefore, buying teams may need to provide high-level timing for later stages, such as the estimated start and end of each stage, or approximate duration. Buying teams should also include any other noteworthy milestones.

Timeframes can be noted as conditional and subject to change, in which case buying teams should indicate how suppliers will be informed of changes. To make timing estimates as realistic as possible, buying teams should build in time for:

- extended evaluation times due to larger than expected number of responses or more diverse solutions of varying maturity
- longer than expected supplier contract negotiation
- unexpected delays in approvals for awarding of contracts.

Documenting individual stage timeframes for a multistage approach

Expand the boxes to learn more about documenting timeframes relating to individual stages for a multi-stage approach.

[Expand all](#)[Collapse all](#)

Tell us stage – the start of a multi-stage procurement

Context

When buying teams first write the Statement of Requirements (usually during the Plan phase to support approval of a procurement strategy), timeframes are likely to be impacted by approval timelines. Once the procurement strategy is approved and tender document prepared, the Timeframes section of the SoR should have firm timeframes for the initial stage.

Buying teams may want to move through a first stage quickly and get up-front commitment from suppliers to be available on a particular date. The following example shows how this can be done.

‘Tell us’ example – Proof of Value

Respondents shortlisted for Stage 1 will be required to deliver their Proof of Value on [date]. By participating in this tender, the Respondent is committing to be available on this date.

Show us stage and thereafter

Context

At the time of writing the initial Statement of Requirements (SoR), buying teams are unlikely to be able to estimate detailed timeframes for the ‘Show us’ stage and subsequent stages. They will need to keep the level of detail low.

When shortlisted suppliers are invited to take part in later stages, buying teams will either provide them with stage-specific requirements or with more detail and certainty about the milestones and timeframes.

For these stages, buying teams should include the following information:

- for each stage, an estimated start date (or month) and duration
- whether stages are sequential or could run concurrently
- when suppliers will receive more detailed timeframes for each stage
- how suppliers will be informed of material changes to timeframes.

What to cover

Below are some examples of how to communicate the timing of later stages at the initial market approach.

'Show us' example — Proof of Concept

'Shortlisted Respondents will be asked to provide a detailed project timeline for their proposed Proof of Concept that meets the key delivery milestone dates in [Table X]. For [one or more] successful suppliers, the project timeline will be negotiated and included in the agreement for the delivery of the Proof of Concept.'

'Implement at scale' example:

'Following a successful Proof of Concept or Proof of Value, Respondents may be invited to quote for the delivery of goods or services at scale. Shortlisted Respondents will be asked to provide a detailed project timeline for their scale implementation that meets the key milestones dates in [Table X]. The timeline will be negotiated as required and included in the agreement for delivery of the goods or services.'

[Statement of Requirements Timeframes sample ↗](#)

Other key information for a Statement of Requirements

This section helps buying teams tweak other parts of a Statement of Requirements (SoR) when buying innovation. The tweaks make it easier to accommodate an outcome focus (usually a challenge statement) and/or testing through multi-stage procurement.

Buying teams can request an innovation-specific template suitable for the initial market approach by contacting InnovationProcurement@customerservice.nsw.gov.au ↗. They will need to confirm whether their agency supports its use.

Some agencies may only support the use of their standard template. In these cases, the boxes below can guide buying teams through some adjustments for innovation. They may not perfectly match the sections used in templates due to variation between agencies, so some tailoring may be needed.

Expand each one to learn more and access samples from other buying projects.

[Expand all](#)

[Collapse all](#)

Background, purpose, objectives and benefits

This section should draw from the procurement strategy problem shaping undertaken during the [Scope step](#). It should give suppliers a clear context for the procurement, including:

- a description of the business function and its key stakeholders
- a summary of the current problem and the benefits of solving it

- the reasons for approaching the market
- information about work undertaken previously such as discovery, trials or historic solutions and reasons why they were or were not successful.

Scope of services

This section is usually brief in an outcome-focused and/or multi-stage procurement. The outputs expected from the procurement are mostly found in the requirements section. This section should clear up any ambiguity about the scope of the procurement and help suppliers understand the scale and type of opportunity. Buying teams should aim to give suppliers clarity on:

- future opportunities to scale solutions to other use cases
- business functions or problems that seem related, but which are not covered by the procurement
- any technical aspects or capabilities that would be provided by the agency and would therefore not be part of the procurement
- whether a complete solution is expected to be delivered, as opposed to services or capabilities
- the type of solution or services, if known (noting that for innovation, it is not recommended to narrow these down too much)
- the level of maturity that can be tolerated (see separate box on Maturity level)
- if transforming all or part of an existing system, which components, functions or integrations are out of scope
- if a solution is likely to need integration, whether the supplier will be responsible for integration or any changes to existing systems.

In multi-stage procurements, detailed information about government environments, complex systems and/or processes might not be shared until later stages. If this is the case, buying teams should note what is out of scope for the initial proposal stage and indicate the stage at which that detail will become part of the scope. Consider using a table to show this information clearly.

Maturity level – new section or attachment

This section can give suppliers more information about how maturity of solutions will be considered. For emerging markets, this section can signal an appetite to test solutions with lower maturity and/or unproven solutions. It can also describe co-development opportunities or commercialisation approaches.

A buying team may be open to new and emerging solutions, including suppliers that might not have worked with the NSW Government before. Or they might prefer to limit their scope to more mature solutions. Agencies may reserve the right not to proceed with lower maturity solutions should an equivalent mature solution already exist.

Technology Readiness Level (TRL) is a measurement system developed by NASA to assess the maturity of a particular technology. TRL can be a useful reference for solution maturity in discussions within buying teams as well as in supplier responses.

- **TRL 1:** Basic principles observed and reported.
- **TRL 2:** Technology concept and/or application formulated.
- **TRL 3:** Analytical and experimental critical function and/or characteristic proof of concept.
- **TRL 4:** Component validation in laboratory environment.
- **TRL 5:** Component validation in relevant environment.
- **TRL 6:** System/subsystem model or prototype demonstration in a relevant environment.
- **TRL 7:** System prototype demonstration in an operational environment.
- **TRL 8:** Actual system completed and qualified through test and demonstration.
- **TRL 9:** Actual system proven through successful operation.

Consider supporting suppliers to identify their Technology Readiness Level using the [TRL calculator from Investment NSW](#) ↗.

Requirements

Requirements can be functional (what a solution should do) and non-functional (how it should do it).

Challenge-based procurements should express functional requirements as a challenge statement at the initial market approach. This is best introduced at a summary level in the requirements section, referring to a new section towards the end of the document or a separate attachment, with a heading like 'Detailed challenge statement' or 'Detailed use cases'. This way, suppliers can see key procurement information first.

Non-functional requirements are usually not known in the initial market approach for a multi-stage procurement. This section should signal what they might be and when suppliers can expect more detail. This helps avoid surprises for suppliers choosing to respond. See the separate non-functional requirements box for suggestions.

Challenge statement – new section or attachment

This section should appear towards the end of the Statement of Requirements or as an attachment, as it is often quite long. It should provide all the detail suppliers need to understand the problem to be solved. A challenge statement is usually defined in detail at the end of the **Scope step**.

A challenge statement should focus on users and define:

- one or more concise, actionable ‘how might we’ problem statements that define the immediate opportunity that is the focus of the procurement
- a description of the current state and why the problem needs to be solved
- desired outcome, success criteria and measures of success.

The challenge statement may also include:

- use cases that identify the situation, actors and interactions
- personas that describe the core goals, tasks, challenges and feelings of end users
- user stories that identify the value or desired outcomes for end users or personas
- current business processes
- future potential opportunity in terms of expansion or additional use cases
- constraints that might affect solution options (see separate box titled 'Constraints').

Non-functional requirements

Non-functional requirements at the start of a multi-stage procurement are usually limited to terms of participation, rather than solution requirements. However, the Statement of Requirements should, where possible, signal what non-functional requirements may need to be met at a later stage. This is so suppliers can make an informed choice to participate.

Such non-functional requirements include:

- ability to comply with the [supplier code of conduct](#)
- ability to contract with the NSW Government, including having an Australian Business Number (ABN) and being registered for GST
- ability to meet key (or high risk) contract terms and willingness to work within the standard contracting framework for the type of goods or services
- registration to the relevant scheme (indicate which scheme, if mandated, and include any requirements in the scheme rules)
- ability to meet insurance requirements (refer to amounts in standard contract or scheme, or specify if different from these)
- demonstrate financial capacity to enter into an agreement with NSW Government to deliver products or services

- be able to complete the [modern slavery tender schedule \(DOCX, 40.31 KB\)](#).

Buying teams can also use the Statement of Requirements to identify other non-functional requirements that could evolve. These might only need to be met for certain solution types. Listing them and signaling when more detail will be provided helps suppliers know what to expect. These can include:

- be able to comply with applicable legislation and standards (include relevant examples e.g. accessibility, personal information)
- be able to comply with the NSW Government's data, privacy and security requirements and provide supporting evidence when requested
- be able to meet specific technical requirements or certifications (include some examples, e.g. any standards, AS EN 301 549)
- be able to support the agency to meet specific policy requirements (include relevant examples, e.g. open data policy, AI ethics, accessibility, local Content)
- be able to store data within New South Wales
- assess products or services against relevant parts of the [AI Assessment Framework](#) (if applicable)

Constraints

Buying teams may need to communicate some constraints to suppliers that are not strictly requirements. Doing this proactively helps suppliers shape feasible proposals and make an informed choice to participate. The types of constraints buying teams should consider covering include:

- information about the IT ecosystem
- constraints of existing systems
- business process limitations
- user limitations
- security access and control limitations
- limitations relating to the compliance environment (beyond those covered under requirements)
- digital maturity or capability of the host organisation
- availability of resources within the agency, including fluctuations in busy periods.

Once more is known about solutions, some of these constraints might become requirements that solutions need to meet to be considered.

Resources, information or assistance provided by agency

This section outlines what the agency should provide to the supplier to support their delivery of goods and services. For a challenge-based and/or multi-stage procurement, this information would be indicative at the initial market approach. More detail would be provided at later stages, once more is known about solutions.

Buying teams should help suppliers know what to expect by providing high-level information about expectations for each stage and indicating when more detail will be confirmed. Buying teams should also consider whether any of the following support will be provided at each stage of the procurement:

- access to buildings and/or office space
- access to systems
- specialised equipment
- business process flows and/or system architecture
- access to subject-matter experts and/or users
- staff support to navigate certain processes
- sample data
- further detail about related use cases and/or problems
- reports or briefings.

Supplier responsibilities and resource requirements

This section details what resources suppliers are expected to contribute to the delivery of goods and services. For a challenge-based and/or multi-stage procurement, this information would be indicative at the initial market approach. More detail will be provided at later stages, once more is known about solutions.

Suppliers would usually put forward resource requirements and costing as part of their proposals. In a multi-stage procurement they may need to refine these estimates at each stage. Resourcing might also be refined and negotiated before entering into an agreement for a stage.

Buying teams should help suppliers plan for the resourcing and specific capabilities they might need to deliver against each stage by providing high-level information and indicating when more detail will be confirmed. Buying teams should identify the responsibilities of the service provider, other than delivering the project within the required cost, quality and timeframe. These include:

- specific capabilities needed
- coordination and management of the work
- liaison with agency personnel
- stakeholder engagement
- security

- travel arrangements
- oversight of other contractors
- provision of equipment, software or data
- third party responsibilities in relation to compliance with organisational policies.

Buying teams might ask to see the resumes of staff resources to be allocated to the project to ensure that capabilities meet expectations, particularly for specialist capabilities.

Location and arrangements for delivery

This section outlines where and how each stage is expected to be delivered. For a challenge-based and/or multi-stage procurement, this information would be indicative at the initial market approach. More detail will be provided at later stages, once more is known about solutions.

Buying teams should help suppliers know what to expect by providing high-level information about delivery locations at each stage and indicating when more detail will be confirmed.

Buying teams should consider covering:

- the location of any in-person engagement (e.g. demonstrations)
- which interactions can conducted virtually
- work that can be completed remotely vs on the premises
- any constraints on where work can be completed and/or data stored
- any jurisdiction-specific compliance matters that might constrain location.

Cost implications of these arrangements should also be clear for suppliers – whether covered in this section, or other sections (e.g. agency assistance, supplier resources).

Performance framework

This section outlines how performance will be defined and measured in an eventual contractual agreement. A performance framework is not required for the earlier stages such 'Show us'.

Buying teams are unlikely to have much detail about performance frameworks for the end solution at the initial market approach.

Buying teams should still aim to help suppliers to refine their proposals and plan their resourcing by giving some indicative information, where possible, about how performance could be measured for deliverables at later stages. These are usually covered by contractual agreements. As a minimum, this section should indicate when more detail will be communicated about performance.

Buying teams can consider matters such as:

- how the team will know if the product or service has performed well

- over what time periods performance will be measured
- measurement of delivery such as speed, timeliness, accuracy, completeness or cost of service delivery or work completion, or attainment of progress milestones
- measurement of solution or service quality through Key Performance Indicators (KPIs)
- penalties or incentives
- satisfaction with the level of service or service provider availability
- ability to deliver in the language of stakeholders
- records or other data the service provider may need to provide to support performance monitoring and measurement.

Pricing model

At the initial market approach of challenge-based and multi-stage procurements, buying teams are unlikely to know which pricing models apply to delivery or ongoing support of a solution. They should therefore avoid commercial evaluation at the initial market approach. Once buying teams know more about solutions, they will be in a better position to set requirements related to solution pricing, and to evaluate them.

Nonetheless, buying teams may want to ask suppliers about pricing models for delivery and maintenance of the end solution. This can inform budgeting and/or business cases. Pricing considerations might also apply to early stages if, for example, suppliers are paid to deliver demonstrations.

Buying teams should be transparent with suppliers about when pricing will be requested and how it will be evaluated. This could be presented as a table showing what will be requested at each stage and how it will be used.

Explore Test and Buy Innovation

- Scope for innovationeast
- Key innovation scoping stepseast
- Define challenge statementeast
- Set requirements and criteria for innovationeast
- Stakeholder managementeast

- The innovation buying journeysteast
- Learn about Test and Buy Innovation Programeast ↗
- Get help from Test and Buy Innovation advisoryeast ↗
- Get your procurement strategy approvedeast

Library of innovation pathways

Examples from real projects with stages, milestones and timelines.

Resources

By working with real projects, Digital NSW has built up a library of sample innovation buying pathways with real-life timeframes. These are available for supervised access only to ensure appropriate tailoring of pathways and to allow for testing and further refinement.

For help accessing the library, identifying a suitable innovation pathway or resourcing support to lead this activity, please contact the Test and Buy Innovation advisory team:

InnovationProcurement@customerservice.nsw.gov.au ↗

Sample pathway

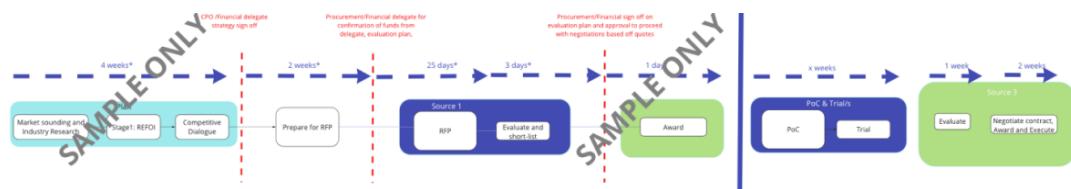


Figure 1: An example innovation pathway based on a real-world buying project with key milestones and indicative timelines.

Explore Test and Buy Innovation

- Design a buying pathwayeast
- Choose whether to plan for scaleeast
- Stakeholder managementeast
- Buying pathwayeast
- Set up for successeast
- Learn about Test and Buy Innovation Programeast ↗
- Get help from Test and Buy Innovation advisoryeast ↗
- Innovation eligibility checklisteast
- The innovation buying journeyeast

Build market insights iteratively

Combat uncertainty by using a multi-stage approach to iteratively gather insight, reduce risk and increase confidence.

Iterative market insights model

Buying teams should expect to build on market intelligence and refine insights throughout procurement stages when buying innovation. Every time suppliers share information or complete deliverables, there is new information about solutions and market capabilities which supplements intelligence gathered in the Discover phase.

A multi-stage procurement offers many chances to uncover unknowns. An iterative approach – that supports testing, learning and adjusting at each stage – boosts market insight, lowers risk and builds confidence in both solutions and suppliers.

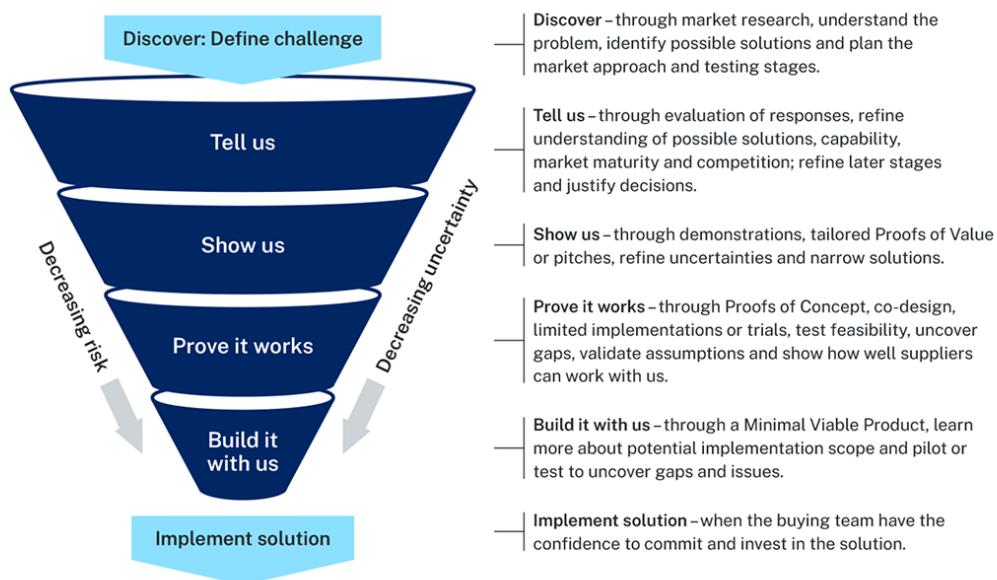


Figure 1: A multi-stage approach gives several opportunities to refine market insights iteratively while reducing risk and decreasing uncertainty.

This section outlines how to form a hypothesis about the state of the market and possible solutions. It also covers testing the hypothesis through staged deliverables and evaluations. Finally, it discusses how to apply lessons learned to future stages.

Discover phase

During the Discover phase, market research helps form a hypothesis about solutions the market is likely to put forward. It informs the sourcing approaches expected to get the best results, without assuming any one solution.

A hypothesis is an initial point of view based on the information available at the time.

Hypotheses are important for innovation, since a buying team needs to be able to plan but also must be careful not to make too many assumptions.

Strong hypotheses are based on evidence. They allow for alternatives and should be reviewed regularly. This way, they can be validated or updated based on new information.

For a good starting hypothesis, buying teams should ensure they have a strong understanding of the problem space, understand as much as possible about the market and predict the sorts of solutions that suppliers might put forward. They should then use these market and solution insights to design the procurement stages. Read more about each by expanding the boxes below.

[Expand all](#)

[Collapse all](#)

Understand the problem space

To focus your market research effort, it is important to first understand the problem space and the [scope and scale of the opportunity](#). This includes knowledge of:

- the current state
- pain points and implications for stakeholders
- what a good outcome looks like
- how success is measured
- the benefit of success.

This may involve early engagement with industry to explore a problem space from the perspective of suppliers, who may have insights into causes of the problem not otherwise visible to buying teams.

Understand the market

Market research involves collecting information from various [sources of market information](#) to determine the solution types, categories, maturity levels and supplier capabilities available. A range of solution types should be considered, including:

- non-ICT solutions
- ICT solutions

- professional services
- contractors.

Buying teams may conduct desktop research, speak to colleagues or outsource insights to a third party. They could also carry out more direct forms of market engagement like a market sounding, an Expression of Interest (EoI) or a Request for Information (RFI).

Identify possible solutions

Armed with market insights, buying teams should bring together subject-matter experts (SMEs) across business functions and technical domains to brainstorm solution ideas. This can be done separately for each source of market information, or once with all collective insights. The result of brainstorming may be identifying a need for further research.

A collaborative approach means all the SMEs involved will have a good understanding of the sorts of solutions and associated risks they will need to plan for in the Plan phase. This helps with documentation of requirements, evaluation criteria, testing stages and response schedules. Further, SMEs will start to understand how their roles complement each other for these tasks.

Some suggestions for engaging SMEs include:

- co-design ideation session (end users, ICT and design specialists, product owners)
- checking with SMEs involved in the procurement or implementation, such as legal, cyber security, data privacy, enterprise architect
- discussing ICT solution possibilities with an ICT procurement category specialist
- outlining the problem and ICT solution possibilities to align with ICT/digital strategy
- considering whether NSW Government has solved a similar problem elsewhere and consult with a representative
- sharing and discuss information from Gartner on ICT solution possibilities
- ensuring that SMEs understand whether they need to contribute to the challenge statement, statement of requirements and evaluation criteria.

Use insights to inform other activities and stages

Insights from market research will inform other steps in the Discover phase:

- **Iteration plan** – insights will help identify the best opportunities to revisit assumptions through testing and to manage these as decision points or gates.
- **Buying pathway** – a clearer view of iteration may mean the procurement pathway needs revisiting to accommodate testing methods and evaluation decision points.
- **Business case** – insights will help build the case for change, analyse options and refine cost estimates.

Insights will become valuable in the Plan phase of procurement:

- **Requirements** – insights will help identify critical information for supplier proposals, including technical constraints.
- **Strategy** – insights will inform:
 - which suppliers are approached
 - how they are reached
 - the level of detail they are asked to provide
 - how the opportunity is framed to encourage participation and attract innovation.

Good market insights from the Discover phase should equip buying teams to develop a procurement strategy that suits the level of competition and the maturity of the market. It may involve approaching a limited number of suppliers based on a small selection of promising solutions or an open market approach to allow for a wide range of possible solutions. The procurement strategy may also involve multiple testing stages to build confidence with less mature products, as part of one or more innovation pathways.

The buying team should consider which market insights might be useful to other business units and buying teams at the end of each stage and at the end of the procurement process. Learn about more information on provisions relating to [sharing market insights](#).

Tell us stage

The [Tell us stage](#) covers the first round of sourcing activity, including an initial market approach and the evaluation of responses.

Careful planning for evaluation ensure the evidence gathered through the evaluation process contributes to the understanding of the market and potential solutions. Buying teams will need to be able to clearly articulate evaluate decisions and how insights were arrived at to justify decisions about later stages.

Expand the drop-down boxes to better understand how to refine market insights.

[Expand all](#)

[Collapse all](#)

Evaluation focus

In the Tell us stage, evaluation should focus on:

- how well a solution can solve the problem
- how well suppliers seem to understand the current state and users
- whether the supplier appears to have the capability to deliver the solution and work with government.

Evaluation committees should not aim to pick a single winner at this stage. Instead, they should consider which solutions they would like to know more about and potentially test. The evaluation team may need to spend some time discussing how this will work in practice. Some considerations here include:

- limits of the number and type of solutions the project can support in a testing stage
- whether they will rank suppliers overall or in different categories of solution
- whether they will progress the top ranked solutions or all solutions that pass a certain threshold for key criteria.

Requirements should not be onerous for suppliers to participate in the Tell us stage. A low barrier to entry is important to attract innovative ideas from smaller suppliers and those without government experience. The burden of proof should be low in response schedules, especially if there are likely to be many proposals. Avoid requests for technical details or evidence at this time. These requests are more useful as more is understood about potential solutions in market and when fewer suppliers are participating. This also keeps the evaluation effort low at this first stage, when evaluators will be dealing with the highest number of proposals.

What insights to gather

The buying team should carefully consider what they need to learn from the market to validate and build on their hypothesis. They should request this information in their [Statement of Requirements](#) and/or response schedules [coming soon].

Based on proposals from an initial market approach, the buying team should be able to narrow down:

- the categories or groups of solutions that appear to be able to solve the challenge
- whether the focus can be on whole solutions or needs to include partial solutions and/or partnerships
- solutions and suppliers that may be mature and not need significant testing
- solutions that are less mature and the types of testing needed to build confidence
- the capability and capacity of suppliers to implement solutions
- the level of experience of suppliers working with government
- the level of competition and/or uniqueness of solutions
- the types of risks that will need to be managed for the preferred solution categories
- the sorts of technical details that might be relevant at the next stage to further evaluation and/or manage risk.

Use evaluation insights

Buying teams will rely on the insights from this stage to:

- determine if one or more viable solutions appear to be able to address the challenge and whether it is worth proceeding to another procurement stage
- validate or adjust the scope of the next procurement stage to ensure the type of testing or sourcing is suitable for the type of solution and any risks identified
- identify what additional intelligence, including technical details, may be requested of suppliers to qualify for the next stage
- agree on a supplier shortlist
- justify abandoning the procurement or returning to market with refined requirements or response schedules.

Show us stage

With a solid understanding of possibilities from the Tell us stage and an idea of supplier capability, buying teams may invite shortlisted suppliers to demonstrate promising solutions. These solutions could be tailored to meet specific challenges or suppliers may [pitch how they could be customised ↗](#). Formats may include demonstration, Proof of Value (PoV), trial, hackathons, pitch-fest and/or showcase.

Expand the drop-down boxes to better understand how to further refine market insights.

[Expand all](#)

[Collapse all](#)

Evaluation focus

In the Show us stage, the evaluation committee should focus on the ability of the solution to solve a problem. This means increasing the emphasis on how well the supplier understands the problem and the users. Suppliers with a good understanding of the problem are more likely to be good delivery partners and achieve the desired outcomes.

Requirements set here should place a higher burden of proof and/or weighting criteria related to the problem and users.

Buying teams might start to request some technical details and capability information. The technical burden of proof should still be low, particularly if there will be a separate Prove it works stage.

What insights to gather

Having seen supplier proposals in the Tell us stage, each buying team will have a unique view of how much more evidence they need to confidently narrow down the solutions to consider investing in.

The types of insights that might be collected or refined in this stage include:

- the type of technology
- the case for change, including benefits that can be used to formulate a **business case** for a subsequent stage/s
- functional capability and usability
- maturity and any case studies and success stories
- ownership of all parts of the proposed solution and potential gaps or dependencies
- supplier capability to deliver in the NSW Government environment (indicative)
- supplier financial viability (indicative)
- commercial models (indicative) to inform budget decisions.

The buying team may need to consider providing data, processes or system information to suppliers for context. This can help them deliver a more relevant and successful demonstration.

Use evaluation insights

After evaluating the information collected at this stage, the buying team will have more clarity about:

- solution possibilities
- solution maturity
- range of potential suppliers
- potential benefits
- supplier capability and viability
- potential risks.

This intelligence may be used to:

- determine how well solutions address the challenge
- determine if the proposed benefits of the best solution proposals will justify a further stage including funding requests or a business case
- identify specific technical risk domains and corresponding technical experts who can help identify and plan for the management of technical risks in later stages
- determine what additional evidence is needed to prove a solution works, inform the testing approach for the next stage and write stage requirements
- determine which suppliers have the best understanding of the challenge and users to become good delivery partners and which should be invited to participate in further testing.

Prove it works stage

Equipped with the market insight from the Show us stage, buying teams may choose to invite shortlisted suppliers to submit proposals for a [Prove it works stage ↗](#).

This stage involves testing promising solutions in a limited reach, time-boxed experiment that proves technical feasibility, uncovers gaps and validates solution assumptions. The stage may also be known as a Proof of Concept (PoC), limited implementation or a trial if testing a Software as a Service (SaaS) solution.

The PoC is usually built in a sandboxed operational environment to test interactions with real data, business processes and actual systems. To lower the risk profile of a testing stage, the PoC could be run with anonymised data and separated from live systems.

Following or instead of a PoC, buying teams might run a pilot for a period to test with real users in an operational environment.

Expand the drop-down boxes to better understand how to test promising solutions.

[Expand all](#)

[Collapse all](#)

Evaluation focus

Evaluation in the Prove it works stage should focus on the functional and technical feasibility of the solution and whether solutions are likely to achieve the anticipated benefits of solving the problem.

Through this stage, suppliers will showcase their methods and ways of working, enabling the buying team to evaluate their delivery capability. Suppliers may have given an ‘on-paper’ view of their delivery capability in earlier stages. Evaluators can now assess those claims in practice.

For a Proof of Concept (PoC) one or more suppliers may be asked to address one or more of the challenge use cases or introduce a new specific use case. The buying team must write a new Statement of Requirements and, if needed, corresponding evaluation criteria for suppliers to participate in this stage. The requirements will be narrower and more specific than in the Show us stage. Additional mandatory requirements may be introduced at this stage, such as cyber security and data privacy, depending on the risk profile of the testing.

Requirements and assessment criteria should not be onerous for suppliers to participate in the Prove it works stage. For example, it’s not necessary to furnish support training or service level agreement information. Likewise, this stage is not as concerned with assessing value for money, due to its experimental nature. The intent is to test the solution in a real world environment so issues can be ironed out before committing to a full implementation.

What insights to gather

The types of insights collected from proposals in this stage include:

- functional capability of the solution
- technical feasibility of the solution
- technical architecture of the solution
- validating any solution assumptions
- identifying potential gaps and issues
- adherence to ICT policies including cyber security and data privacy
- how the supplier works with the delivery team including ways of working, delivery methodology, project timelines and milestones, availability and competency of resources, handling of bugs and errors
- training/change management/business adoption effort
- indicative pricing that can be used to formulate a [business case ↗](#) for a subsequent stage or stages.

The buying team may need to provide suppliers with access to facilities, data, processes and systems. This gives them more context to deliver a successful experiment.

Use evaluation insights

After evaluating the Prove it works stage, the buying team will have more confidence in their preferred solution and supplier and a good understanding of the potential risks for a full implementation. With this intelligence they can:

- determine if they need to undertake further testing to address gaps, issues, risks or uncertainty
- determine if they can proceed to Build it with us stage or Implement at scale stage
- prepare a final business case and/or request implementation funding.

Build it with us stage

Equipped with insights from the Show us and/or Prove it works stage(s), buying teams should consider whether further testing or iteration is required. If they have enough confidence in a solution, they may progress directly to implementation at scale. Depending on their risk assessment and confidence level, they may choose to invite shortlisted suppliers to submit proposals for a [Build it with us stage ↗](#). The aim of this stage is to learn more from shortlisted suppliers about the potential scope before implementation at scale. As such, there will be specific information needs driving the requirements for this stage.

The Build it with us stage involves defining the Minimum Viable Product (MVP) that can be implemented within a time-boxed project delivery schedule. It may deliver the foundational capability that will support incremental implementation, and/or the minimum functionality required to realise benefits. The stage may require co-development with internal teams and may be followed by a pilot to test the implementation with business users.

Expand the drop-down boxes to better understand how to learn more about potential full scale scope.

Evaluation focus

The buying team should write a new Statement of Requirements and evaluation criteria before inviting suppliers to propose solutions for the Build it with us stage. The requirements will be limited, narrow and specification based. There will be additional mandatory requirements introduced at this stage, such as cyber security and data privacy standards. Contract conditions will also be introduced. These outline minimum support and performance guarantees, such as:

- service level agreements
- bug/fault remediation
- dispute resolution process.

Evaluation at this stage will heavily emphasise the technical aspects of a solution, through higher weighting or the introduction of more criteria. The importance of pricing will also increase.

Since any solution making it into the stage is assumed to realise acceptable benefits, the scope of requirements for this stage should focus on Minimum Viable Product, with evaluation based on:

- completeness and quality of deliverables
- Requirements Traceability Matrix (RTM) to assess to what extent all requirements have been met
- business acceptance testing
- thorough pilot testing in a live operational environment
- training/change management/business adoption effort
- project delivery retrospective that considers how well the supplier demonstrated they could work with us
- scalability and effort.

What insights to gather

The types of insights collected from proposals in the Build it with us stage include:

- commercial models including End User License Agreement (EULA) and reseller conditions
- pricing that can be used to assess value for money and formulate a **business case** for scale implementation.
- functional capability
- technical feasibility
- operational capability
- usability
- potential gaps and issues
- bugs and fault remediation approach
- cyber security and data policy adherence
- technical, process and data architecture documentation
- extensibility and interoperability
- dispute resolution and mediation process
- how the supplier will work with us including ways of working such as co-development, delivery methodology, project plan including timelines and milestones, resources skills and competency, supplier financial viability, delivery capability, internal resource engagement and estimated effort.

The buying team will need to engage in discussions with suppliers and provide access to facilities, data, processes and systems for integration.

Use evaluation insights

Buying teams at the end of this stage should understand:

- what it might take to implement a solution at scale
- whether the solution is technically and commercially viable
- whether they want to continue to work with the supplier.

They should also be able to showcase the Minimum Viable Product to obtain business, sponsor and end user feedback.

All of the above allow buying teams to plan for implementation and seek relevant approvals.

Implement at scale

Equipped with the market insight progressively gathered from all testing stages, buying teams should consider whether they have sufficient confidence to progress to a full scale implementation. Depending on their risk assessment, they may choose to commit funding and invite shortlisted suppliers to submit proposals for this stage.

Expand the drop-down boxes to better understand confidence considerations for a full scale implementation.

[Expand all](#)

[Collapse all](#)

Evaluation focus

The requirements for implementing at scale will be specification-based. They are likely to be extensive and include dependencies and constraints. Written proposals will typically need to include commercial and technical documentation. Buying teams may ask suppliers to fill out a Requirements Traceability Matrix (RTM). This matrix shows if individual solution requirements are fully, partially or not met.

The buying team may have specific follow up questions for suppliers on areas such as:

- technical architecture
- delivery methods
- commercial models
- project timelines
- resource availability
- support models
- product roadmaps.

They may also engage with shortlisted suppliers to answer questions and provide more access to facilities, security, data, processes and systems for integration.

These discussions can give the evaluation team valuable insights into how well a supplier will work with the implementation team.

What insights to gather

The buying team must write a new statement of requirements and evaluation criteria before inviting suppliers to propose solutions for the Implement at scale stage. Any mandatory requirements not yet evaluated would be introduced at this stage.

The types of insight collected from proposals in the Implement at scale stage include:

- pricing that can be used to assess value for money

- commercial models including End User License Agreement (EULA) and reseller conditions and ongoing costs
- functional capability
- technical feasibility
- operational capability
- usability
- potential gaps and issues
- bugs and fault remediation approach
- cyber security and data policy adherence
- technical, process and data architecture documentation
- extensibility and interoperability
- dispute resolution and mediation process
- how the supplier will work with us including ways of working such as co-development and delivery methodology
- project plan including timelines and milestones
- resources skills and competency
- supplier capability and financial viability
- delivery capability
- internal resource engagement and estimated effort.

The types of insight collected during a scale implementation project include completeness and quality of deliverables, through evaluation of:

- Requirements Traceability Matrix (RTM) to assess to what extent all requirements have been met
- business acceptance testing
- thorough post-delivery testing in one or more live operational environments
- training/change management/business adoption
- project delivery retrospective that considers how well the supplier worked with us and how this might be improved
- project roadmap
- solution capability roadmap.

Business-as-usual (BAU) operations

Once the solution is in operation it should be actively evaluated by all impacted stakeholders.

Expand the drop-down boxes to better understand active stakeholder BAU evaluation.

[Expand all](#)

[Collapse all](#)

What insights to gather

The product owner should capture all feedback on a continuous basis to generate insights. This feedback may include:

- user experience including reliability, usability and problem identification
- bugs, faults and technical issues
- support and service levels
- supplier responsiveness
- supplier resource availability and competency.

Product owners and ICT/digital strategists should keep an eye on the market. They should keep up to date with competitive and emerging technology trends. They also need to check for developments in supplier capabilities and roadmaps. This focus helps improve business outcomes.

What other intelligence activities should take place

Procurement should periodically review if the solution is still fit for purpose and offers value for money. This review would rely heavily on the product owner and the business function or users. It is an opportunity to consider if there are any business-as-usual problems that need to be addressed.

In alignment with wider agency and government strategies, there may be opportunities for ICT/digital consolidation, expansion or retooling.

The outcome of such activities may initiate the scope of a new market challenge.

Resources

[Sources of market information and sharing provisions ↗](#)

Explore Test and Buy Innovation

- [Build evidence for your case for changeeast](#)
- [Sources of market informationeast](#)
- [Buying pathwayeast](#)

- Scope for innovationeast
- Set up for successeast
- Conduct market researcheast
- Get help from Test and Buy Innovation advisoryeast ↗
- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programmeeast ↗

Level of detail by stage

Make procurement more accessible to suppliers by setting ‘just in time’ criteria.

A ‘just in time’ approach to evaluation

Buying teams can make the procurement process accessible, less intimidating and flexible enough to accommodate various types of suppliers by asking for (and evaluating) detailed information only when it is most needed. This can be referred to as a ‘just in time’ approach. It can particularly benefit small to medium enterprises (SMEs), startups and niche innovators.

For the purposes of a procurement strategy, buying teams should consider the minimum level of detail they will need to ask suppliers to provide to support the evaluation at each stage.

As a guide, buying teams should aim in the initial market approach to get an indication from suppliers of which requirements can be met at a future point, without a high burden of proof. This way, the largest number of suppliers spend less time on proposals while still providing information and insights to the buying team. A smaller number of suppliers with a higher chance of success will invest more time into proposals for a later stage.

This approach balances flexibility and informed choices for both suppliers and buying teams.

A sliding scale to guide level of detail

When setting up high-level evaluation criteria for a procurement strategy, it can be helpful to think about the level of detail suppliers will be asked to respond to at each stage. If using a single set of criteria, this might simply mean the burden of proof increases at each stage. This will make it easier to shape response schedules for each stage that link directly to evaluation criteria.

The following sliding scale may be a helpful guide. Suppliers could be asked to:

- acknowledge that something will be required by a future stage – Y/N
- indicate whether something does/will meet a requirement – Y/N
- outline how something meets a requirement – short text
- demonstrate how something meets a requirement – long text
- provide evidence that something meets a requirement – references or certification
- attach a detailed approach – full technical detail e.g. a project plan or technical specifications

- refine the detailed approach – incorporate all feedback.

Buying teams can apply this sliding scale by tailoring a table similar to the one below, to build confident that the high-level criteria they adopt in a project strategy will work across multiple stages.

Criteria	Discover	Tell us	Show us	Prove it works	Build it with us
Solution functional capability	Outline	Outline	Demonstrate	Provide the detail	Refine the detail
Solution technical capability	Acknowledge /indicate or outline	Outline	Demonstrate	Provide the detail	Refine the detail
Understanding of the problem and users	Outline	Outline	Demonstrate	Provide the detail	Refine the detail
Supplier delivery capability	Acknowledge /indicate or outline	Outline	Demonstrate	Provide the detail	Refine the detail
Ability to work with NSW Government	Acknowledge /indicate or outline	Acknowledge /indicate or outline	Outline	Demonstrate	Provide the detail
Commercial viability	Acknowledge /indicate or outline	Acknowledge /indicate or outline	Outline	Demonstrate	Provide the detail
Cost/commercial consideration	Outline	Outline	Outline	Demonstrate	Provide the detail
Stage-specific cost	n/a	n/a	Provide the detail	Provide the detail	Provide the detail
Meet stage specific requirements	n/a	Provide the detail	Provide the detail	Provide the detail	Refine the detail

Resources

Staged evaluation criteria

Set mandatory criteria for innovation

Write innovation challenge guidelines

Explore Test and Buy Innovation

- Set requirements and criteria for innovation
- Stakeholder management
- Set mandatory criteria for innovation
- Staged evaluation criteria
- Build insights iteratively
- The innovation buying journey
- Learn about Test and Buy Innovation Program
- Get help from Test and Buy Innovation advisory
- Get your procurement strategy approved

Procurement policy when buying innovation

Use the full extent of existing policy levers to adopt innovation-friendly procurement methods to drive great outcomes.



Test and Buy Innovation complies with policies

The Test and Buy Innovation (TBI) model is a collection of existing procurement methods that attract and help manage innovation. These methods include using a challenge statement, testing and shortlisting over multiple stages and adapting to new information. They all comply with procurement policies and are often encouraged. However, they are not commonly used and can be complex to adopt.

Agility and governance go hand in hand

The Test and Buy Innovation guidance supports buyers and procurement teams to use the full extent of existing procurement policy levers, navigate complex processes and improve project outcomes.

The principles of fairness, transparency and value for money that apply to all NSW Government procurement apply equally to buying innovation. Each buying team and agency procurement team is accountable for applying these principles, but should be aware that steps to achieve them might look different in the context of innovation. Additional preparation can sometimes be needed, which can be accelerated through Test and Buy Innovation guidance with repeatable processes, templates and samples.

A structured approach to testing, learning and adapting

In a multi-stage process, developing a buying pathway, iteration plan and probity measures are key steps, but they can't be 'set-and-forget' artefacts. Instead, they should be 'living documents' that adapt to new information to support the documents and milestones that need formal approval. Not adapting to new information could mean ignoring new risks or forfeiting new benefits.

The TBI model is based on an agile procurement framework that has been designed for the public sector. Innovation procurement requires buying teams to have open minds and not assume the solution. This means new information is likely to emerge over the course of a buying pathway. The framework governs how to anticipate change within the procurement process, and when to make changes to the buying strategy to accommodate it.

TBI guidance complements NSW Government procurement policies and agency-specific policies and procedures. It supports buying teams to implement innovation-friendly procurement methods while complying with procurement policies. It also helps buying teams give decision-makers and suppliers confidence that their project meets public sector obligations.

Tools to ensure compliance with policies while driving great outcomes



Buying pathway

A step-by-step guide for buyers designing a pathway to support optimal innovation outcomes.

- Why develop buying pathways ↗
- When and how to develop pathways ↗
- Choose whether to plan for scale
- Explore tactics to shape pathways

[View more](#)



Probitity when buying innovation

Protect practices that foster innovation while navigating treatments for probity risk.

- Why probity matters
- When to consider probity ↗
- Amplified probity risk
- Probitity risk treatments

[View more](#)



Agile procurement framework

Access agile method resources for project management and procurement.

- Why use agile methodologies ↗
- When to establish an agile project ↗
- Agile principles and benefits
- Agile buying for the public sector

[View more](#)

Explore Test and Buy Innovation

- Innovation eligibility checklist↗
- The innovation buying journey↗

- Stakeholder management [east](#)
- Learn about Test and Buy Innovation Program [east ↗](#)
- Get help from test and Buy Innovation advisory [east ↗](#)

Changes to expect

Plan for and manage changes to a buying strategy to adapt to new information and manage emerging risks.

How to approach changes to an innovation buying strategy

An innovation buying strategy is a dynamic document. It is expected to change but all decisions must be well-governed. Buying teams can build confidence by anticipating information that is likely to become available through engagement and testing. They can then identify potential changes and articulate how their impacts will be managed for their buying project.

The new information could impact a buying strategy by resulting in changes to:

- budget or internal processes
- team resourcing or stakeholders
- risk profile, benefit or the business case
- governance structures
- supplier-facing procurement processes for an in-train or a future stage
- procurement stages or evaluation criteria
- deliverables, requirements or service levels
- the scope of the full opportunity.

Depending on the level of impact on the procurement strategy, buying teams may choose to manage a change by:

- informing relevant stakeholders
- consulting with subject-matter experts or affected stakeholders (including end users)
- seeking endorsement from a subject matter-expert or affected stakeholder
- seeking approval from a delegate such as a project manager and/or sponsor
- seeking approval from a governance body such as a steering committee
- seeking re-approval of the buying strategy
- notifying suppliers of a change
- restarting the procurement or a stage of the procurement.

The timing of the change would also shape how it is managed. For example: new information in an early stage, such as technical detail about a desired solution, would drive a change in a subsequent stage, such as technical criteria or the design of a trial. Usually a decision gate would already exist to manage that change in a responsible and transparent way.

If, on the other hand, new information affected a stage already underway, such as an unexpected technology solution not fitting into existing evaluation criteria, then more onerous governance may be required due to the [perceived risk of unfairness, loss of probity or non-compliance](#).

Changes to expect

This page recommends a structure and some content that can be inserted into a buying strategy to plan for and manage changes to the procurement approach.

Expand the drop-down boxes to learn more about each of the changes that could occur to a buying strategy over the life of an innovation procurement, some likely drivers of those changes and considerations for buying teams planning their response.

[Expand all](#)

[Collapse all](#)

Description of goods and services

Information available for the buying strategy

Initially, this section of a buying strategy will define a problem statement or outcome-focused scope and the engagement steps proposed where suppliers will provide staged deliverables such as demonstrations or Proof of Concept (PoC).

How this might change once the procurement starts

While the problem statement is expected to hold true, by the final stage this section will also be able to detail specific solutions and technical requirements.

Who might need to be engaged

Technical subject-matter experts such as enterprise architects, privacy and cybersecurity functions may need to advise on technical details as they become available, whereas their ability to advise on the project would be much more limited at the start.

Once a preferred solution is clear, formal approvals may be needed depending on agency processes. Approvals could relate to permission to proceed with a particular solution or to the solution's technical specifications.

Project sponsors, the business where the solution will be deployed and end users may also need to be kept abreast of more technical information as it comes to light to ensure the final outcome meets objectives and is accessible.

Market research

Information available for the buying strategy

At the time of documenting a buying strategy, buying teams should have completed desktop market research to understand the sorts of technologies that have the potential to solve the innovation challenge, or comparable challenges. Armed with indicative technologies, they should be able to draw some conclusions about market maturity through a combination of internal expertise and external sources (e.g. Gartner or market aggregators).

[Read more about sources of market information](#)

[Learn how to build market insights iteratively](#)

How this might change once the procurement starts

For a less mature technology market, insights from desktop research may be limited. In these cases, buying teams should design their multi-stage procurement process to improve their understanding of the market. The first proposals from suppliers give insights into the market offerings and maturity which might lead to adjustments in later stages.

For example, if the market is offering mature and proven products, the buying team might have enough confidence to move directly into a testing or even scale implementation stage based on technical specifications. If the market is less mature and more information is needed to assess feasibility, then a more exploratory stage would be prioritised.

Who might need to be engaged

Engagement with an agency's ICT team is critical for obtaining early market insights and designing procurement stages that will progressively improve insights. Agencies may have internal expertise on certain technology domains, such as artificial Intelligence (AI), or access to external information sources. An ICT business partner may be able to help identify all the expertise that needs to contribute to the buying project.

Solution architects might be able to help buying teams imagine potential technology solutions. Technology domain experts, enterprise architect, cybersecurity and data privacy experts can help refine requirements or gather information needed to assess a range of technical risks and assess supplier or solution information at each stage.

Evaluation criteria

Information available for the buying strategy

The buying strategy should document evaluation criteria for each stage of the procurement. The confidence in these criteria would be highest for early stages of the procurement and lower for later stages. That said, starting with outcome-focused evaluation criteria should minimise the need for change.

For the initial proposal and early stages, proposals should be evaluated on how well they address the challenge and the supplier's capability to deliver a solution. Criteria for later stages may focus more on the individual solution, e.g. assessing the solution's functional and technical capability, with reference to requirements which would become more specific and technical in later stages.

[Read more about documenting evaluation criteria](#)

How this might change once the procurement starts

Outcome-focused evaluation criteria should not need to change over the life of the procurement. However, they should still be formally revisited between stages. This ensures they are appropriate for future stages, given the latest information and understanding of the solutions available. It is preferable to make a carefully documented and transparently communicated change to criteria than to push ahead evaluating the wrong things.

Evaluation criteria will almost certainly need to change if there is a change in the number or type of stages that make up the procurement. Any adjustments to criteria should be made at the same time as adjusting stages.

Who might need to be engaged

Evaluation criteria must be endorsed by the Evaluation Committee members who will need to use the criteria. An Evaluation Committee should never be asked to use criteria that they do not understand or are not comfortable with. A procurement representative may need to approve evaluation criteria changes through a stage-specific evaluation plan that highlights and justifies any changes from the original evaluation plan.

Changing evaluation criteria can introduce probity risks, such as perceived unfairness or bias. Proactively communicating and justifying any changes to suppliers is critical for maintaining the integrity of a staged procurement. This is a risk that should be managed, not removed. If removed, a much greater risk would arise of investing in the wrong solution.

Project stakeholders and governance structure

Information available for the buying strategy

The buying team should connect with a wide range of expertise before finalising a buying strategy. These experts should have input to the strategy itself and help design stages to ensure the appropriate information is uncovered at each stage. The procurement strategy should identify these stakeholders and their roles, including decision-makers and any groups with governance oversight such as sponsors and committees.

Read more about how to [mobilise a buying team](#), or [engage the right experts](#).

How this might change once the procurement starts

As the understanding of solutions and suppliers improves through each stage, the type of expertise or oversight needed might change. For example, if AI solutions are proposed by suppliers, new domain expertise and assurance-related approvals may be required. Proposals could include unforeseen integration points, security risks or other technical complexities. These would change the risk profile for the project and the type of governance or oversight required.

Who might need to be engaged

All buying team members should be informed about changes to governance structures. The project sponsor, financial delegate or, if there is one, a steering committee may need to give formal approval of a change to governance. Other senior stakeholders, or even organisational governance groups, might need to attest that appropriate expertise has been included, such as ICT or legal.

Tender evaluation committee

Information available for the buying strategy

The buying strategy should document the intended Evaluation Committee. Its members should include the full range of expertise needed to assess key attributes of proposals and solutions. When the procurement strategy is being prepared, the expertise deemed relevant will be driven by market research. Since the solution is unknown, the Evaluation Committee membership will be a best estimate at the time.

How this might change once the procurement starts

Once proposals have been received and more is understood about the market, evaluation for future stages may require expertise that was not identified initially. For example, if AI solutions are proposed by suppliers, new domain expertise might be required to refine criteria and participate in evaluation.

Consistent membership of Evaluation Committees is tied to probity and should be the goal wherever possible. Changes to committee membership should occur between stages rather than within a stage.

Who might need to be engaged

The level of approval or endorsement needed for changes to Evaluation Committee membership can vary from project to project. As a minimum, the approvals should mirror those for an evaluation plan. All committee members should have the opportunity to endorse membership, just as they should endorse the criteria. This is because the make up of the committee will give them confidence that they can carry out their duties effectively.

If a change to Evaluation Committee membership is proposed within a stage, a probity advisor (internal or external) should be consulted. This is so that risks of perceived unfairness or of changed expectations can be weighed up against the risk of not having access to the desired expertise. Treatment options can then be explored to find the best balance.

Learn more about probity risk and [probity risk and advisors here](#)

To learn more about setting up an evaluation committee for success, contact the [Test and Buy Innovation advisory team ↗](#).

Testing stages

Information available for the buying strategy

At the time of writing the buying strategy, buying teams should have some indication of market maturity (see the separate drop-down box on market research). Since multi-stage procurements are designed to gather evidence on solution feasibility and supplier capability, a less mature market should drive a buying team to build in more testing stages. If it looks like the market might be able to offer one or more established solutions, fewer testing stages might be required.

Each proof stage is an opportunity to assess the benefits of innovative and less familiar solutions while gathering more information and increasing confidence in both the solution and the supplier. The right number of stages will vary for every buying project, but a helpful measure to guide decisions is the technology readiness level (TRL).

Read more about the [role of technology readiness level in designing stages](#).

How this might change once the procurement starts

Once proposals have been received and/or assessed, the buying team will have a better idea of market maturity. If the market is more mature than expected, the team might choose to reduce the number of testing stages compared to what was planned. If it is less mature (including if a small selection of proposed solutions are not mature but of high interest), the team may choose to add more testing stages.

Adjusting the type and number of testing stages to market maturity can feel like taking a risk because it is a change in the buying strategy. Not adjusting can waste supplier and government time and resources (for mature products). It can also create a much bigger risk of not having enough information to inform the final decision (for less mature products). Probit risks associated with changes to testing stages should be managed through open communication about reasons rather than by removing the risk entirely and not changing.

Who might need to be engaged

The buying team and the governance structure will need to agree in advance whether a change in the number, or type of stages, requires full reapproval of the procurement strategy, and follow the change management plan.

Subject-matter experts contributing to stage design and evaluation should be consulted, or at least informed. Additional subject-matter experts may need to be brought in, depending on the type of proof involved in any new stages.

Finally, all suppliers must be notified of the change in strategy, usually via an addendum to the sourcing documents, including the reasons for the change. They should also be given the opportunity to ask questions. This transparency can help avoid the perception of unfairness or bias.

Timeline

Information available for the buying strategy

Buying teams can estimate timelines for the buying activities in each stage based on sample innovation buying pathways, adjusting to reflect their own level of project resourcing, the complexity of approvals required for their project and any other agency variations.

As with any procurement, timelines are best estimates made without knowing how many proposals will need to be evaluated or competing priorities arising. Given the agile and iterative nature of innovation procurement, teams will need to be transparent with stakeholders that timelines are indicative and may change as new information arises, and be proactive about communicating changes when they happen.

Read more about [documenting timelines](#).

How this might change once the procurement starts

All procurement timelines are subject to change due to resourcing, competing priorities, number and complexity of proposals and evaluation consensus processes. Innovation procurement buying teams can expect to spend more time on evaluation and between stages compared to standard procurement, considering the impact of any new information on the next stage.

As seen under the Testing stages drop-down, stages may be added or removed and this would change timelines. As a minimum, timelines should be revisited and adjusted between each stage.

Who might need to be engaged

Typically, changes to timelines would not be considered a change to the overall procurement approach. Therefore they would likely go through a lower level of governance such as a project manager and/or sponsor.

Any subject-matter experts expected to provide time-sensitive inputs should be given as much notice as possible for any changes. Ideally their time is booked in advance and those bookings adjusted as needed, to avoid delays due to availability.

Suppliers should also be notified of significant changes to timelines. Suppliers deserve clarity in return for the investment of their time and energy. Clarity also helps them allocate resources to future stages and participate effectively in the procurement. Each buying team or agency might have its own view of what counts as 'significant'. As a minimum, supplier communication milestones should be respected, even if it is to communicate a delay.

Risk profile

Information available for the buying strategy

Some risk information can be quite comprehensive at the start of a buying strategy, like probity risks. However the ability of the buying team to assess more technical risk categories like security and solution integration will depend on the quality of market research (see separate drop-down box).

When dealing with more mature markets that might have solved similar problems before, buying teams can form a view of the technical risks that might apply. They can then build controls into the request for proposals and evaluation process from the outset.

For less mature markets, buying teams might need to build in a step after proposals are received to look at the types of solutions proposed, and the risk controls required for the next stage.

The point at which risk profile changes need to be escalated will vary between agencies and projects. Buying projects should define these escalation points upfront.

How this might change once the procurement starts

Once proposals are received and evaluated, and after each subsequent proof stage, the buying team's understanding of solution and supplier risks should improve. New risks and controls will almost certainly be added to the risk register with each stage. Some might be significant enough to be highlighted for decision-makers. They may even drive changes in the strategy by changing the testing stages (see separate drop-down box).

Who might need to be engaged

Changes to the risk profile of a buying project typically wouldn't be seen as a change to the buying strategy (unless a change to the strategy is needed to mitigate a risk). Therefore, an updated risk management plan would likely need to be approved by, or at least communicated to, a project manager and/or sponsor.

Subject-matter experts in the risk domain may become risk owners or need to contribute to risk controls. They should therefore be proactively consulted as part of the risk management plan.

Benefits

Information available for the buying strategy

Buying teams should be able to identify high level qualitative and quantitative benefits of solving for a specific outcome within a buying strategy. These can include measurable improvements to engagement, efficiency or productivity benchmarks. Those early stage buying projects that lack quantifiable benchmarks can draw on parameters that might be known. This helps to quantify benefits in later stages of the procurement, such as number of users, business processes or services that could be positively impacted.

How this might change once the procurement starts

At the start of the procurement, supplier proposals should give buying teams an indication of whether the challenge can be solved. A Proof of Value (PoV) stage could be used to validate whether indicative benefits can be realised for shortlisted solutions. At any stage, information

about pricing models could help inform budgets and cost/benefit estimates. Later stages such as a Proof of Concept (PoC) or trial could gather more detailed cost estimates to inform a final business case.

Who might need to be engaged

If a business case is required for funding the final implementation, procurement stages should be designed to validate and quantify benefits to substantiate claims in the business case. Appropriate subject-matter experts should contribute to both the design of stages and the evaluation of information gathered. This includes end users or the owners of the business processes, solution architects and commercial experts.

As benefits are refined, the buying team might identify 'go' or 'no go' decision points and can design stages to ensure information is gathered to support those decisions. These points will need to be documented and communicated to the relevant governance structure. This could be a project sponsor, financial delegate or steering committee.

Read more about [governance roles](#).

Constraints

Information available for the buying strategy

Constraints and dependencies could include technology limitations or requirements, such as system integration points or security requirements, as well as non-technical matters such as business processes, access to information or resourcing.

Based on market research, the buying team should have a view on the potential solutions that could be put forward by the market and the technical constraints that might apply. The buying team can therefore identify constraints and requirements that might be part of the market approach. They will need to foster a high-level and outcomes-based market approach that can best attract innovation while communicating constraints in a way that minimises time wasted by suppliers that can't meet them.

Read more about [setting flexible vs mandatory requirements](#).

How this might change once the procurement starts

At each stage of the procurement, more information will be gathered about potential solutions. Therefore more will be learned about what technical requirements might apply, which systems might need to integrate, and which business processes or information sources could contribute to the success of the final solution.

These constraints should be incorporated into stakeholder consultation, evaluation and eventually implementation plans. This should occur as soon as possible after being uncovered to minimise surprises.

Who might need to be engaged

If new constraints emerge that might need to be tested in a way that results in a change to stages and therefore a change in the buying strategy, reapproval of the strategy might be required.

If the strategy does not change, then consultation with the relevant subject-matter experts will be sufficient. Approval from a project manager or sponsor may be needed if key project activities or timelines need to change.

If new constraints are reflected as requirements for a stage and are going to be evaluated, ensuring the right make-up of the evaluation committee and getting the endorsement of committee members will also be essential.

Resources

[Governance of change](#)

[A rough guide to stages](#)

Explore Test and Buy Innovation

- [Understand and apply an agile framework](#)
- [Develop your iteration plane](#)
- [Governance of change](#)
- [A rough guide to stages](#)
- [Build market insights iteratively](#)
- [Buying pathway](#)
- [Get help from Test and Buy Innovation advisory](#) ↗
- [The innovation buying journey](#)
- [Learn about Test and Buy Innovation Program](#) ↗

Governance of change

Embrace changes, assess them against the project outcomes, document them and govern them appropriately.

How to document the governance of changes

This page proposes some content for a buying strategy to document how the project will approach changes resulting from new information. It helps explain to decision-makers why change is expected and provides confidence that it will be well managed.

The content should be tailored to a buying project's expected changes and preferred management approach.

Buying teams can adapt the following content for their buying strategy.

This procurement strategy has been prepared for an innovation procurement pathway using the best information available at the time. Since innovation procurement involves uncertainty about the end solution, the procurement is expected to uncover information that may drive changes in the procurement strategy.

Avoiding changes can lock out innovation, so this procurement strategy aims to embrace changes, assess them against the project outcomes and govern them appropriately.

Table 1 below lists a range of anticipated and hypothetical changes and the level of engagement or approval that will be sought if they occur.

Type of change	Likely timing of change	Stakeholder	Action
Scope change	After Proof of Concept, before starting Scale stage	Steerco	Approve
Evaluation criteria to proceed to next stage	Before moving to a defined stage of the procurement	Tender evaluation	Endorse
Evaluation criteria to proceed to next stage	Before moving to a defined stage of the procurement	Procurement delegate	Approve

Worked examples and scenarios

Expand the drop-down boxes to read example scenarios and how to approach changes for each.

[Expand all](#)

[Collapse all](#)

Scenario 1 – Adapting evaluation criteria

Information from proposals and insights from pitches could indicate that the evaluation criteria originally identified for the next stage, a Proof of Concept (PoC), might not be fit for purpose. The buying team wants to adjust the evaluation criteria to ensure they're assessing all relevant aspects of solutions. They work through all the relevant governance and probity considerations.

- The buying team is comfortable applying existing criteria to evaluate pitches, so there is no risk of perception that they're changing criteria in the middle of a stage. They proceed to evaluate pitches and shortlist suppliers for the PoC stage based on already approved criteria.
- The iteration plan has set up a decision gate after pitches (end of 'show us' stage) and before the PoC (start of 'prove it works' stage). This supports the team to consider new insights, make well-governed decisions to adapt and communicate any changes.
- The buying team runs an iteration session to work through insights from pitches and any adaptations that might be needed. They agree that the scope of the PoC need to include additional technical requirements, and that these will need to be reflected in the evaluation criteria.
- The changes they are proposing don't affect the objectives of the PoC stage, and therefore aren't a change to the original buying strategy.
- The change governance table in their iteration plan identifies the approvers for any changes to expected requirements or evaluation criteria - in this case the evaluation committee.
- Since evaluators need confidence in what they will be assessing against, they are all included in the iteration discussions so they can understand and approve the changes.
- The buying team and sponsor are notified for transparency.
- Suppliers that are not shortlisted for the PoC stage are not affected and do not need to be notified.
- Suppliers invited to participate in the PoC stage are notified of any changes in PoC requirements or evaluation criteria (i.e. departures from what has been provided at earlier stages). It is possible they are already expecting to have requirements and criteria confirmed as part of the invitation, and that it may not be perceived as a change.

Scenario 2 – Adding a proof stage

After completing a Proof of Concept (PoC), the buying team may not feel it has enough confidence to progress directly to a single contract for implementation at scale as had been planned. They prefer to run a limited implementation with two suppliers which would constitute an additional, unplanned stage. They work through the following considerations to manage this change.

- Firstly, the buying team must assess the impact on the procurement as a whole by weighing up whether the additional stage could be perceived as a change in the scope used in the original market approach. They determine that the problem they are trying to solve, and the outcomes they want to achieve, have not changed.
- The introduction of an extra testing stage would not have changed whether a supplier chose to participate, so the original market approach is still considered valid.
- Adding a stage does change the planned procurement approach. The change governance section of the approved buying strategy identifies the project sponsor as the approver for additional testing stages, since this mainly affects timelines and budget, so there is no need to seek re-approval to the buying strategy.
- The project manager determines whether the additional timelines and budget are feasible, and the sponsor endorses the additional testing stage.
- The team consults with the procurement advisor and probity advisor to ensure the shortlisting process is defensible, just as they would have consulted with these experts when designing the already approved stages.
- The team then focuses on the design of the limited implementation by collaborating with relevant technical experts and stakeholders, to arrive at a clear scope and objective.
- Based on this, the team documents requirements and evaluation criteria, which are discussed with the evaluation committee to ensure they understand and agree.
- Suppliers not invited to the limited implementation stage would not be affected and only need to be notified about the outcome of the previous stage.
- Suppliers invited to participate in the next stage should be informed of the change in process, the reasons for it, and be given the opportunity to provide feedback to ensure transparency and fairness.

Resources

[Changes to expect](#)

[A rough guide to stages](#)

Explore Test and Buy Innovation

- Understand and apply an agile framework
- Develop your iteration plan
- Changes to expect
- A rough guide to stages
- Build market insights iteratively
- Buying pathway
- Get help from Test and Buy Innovation advisory↗
- The innovation buying journey↗
- Learn about Test and Buy Innovation Programme↗

Set mandatory criteria for innovation

Set flexible criteria upfront that allows suppliers time to meet mandatory criteria in later stages.

Setting mandatory criteria in a procurement helps optimise time spent on tenders. This applies both to suppliers preparing submissions and buyers evaluating proposals. Mandatory criteria set clear expectations for the requirements of a particular project and for working with the NSW Government in general. They are often legal or regulatory prerequisites but are not limited to this.

Setting mandatory criteria can lock out innovation. Any mandatory requirements included in evaluation should be true 'showstoppers'. This means a buying team would not progress or consider any alternative compliant approach in relation to those criteria under any circumstances. Non-compliance with any mandatory criteria would result in a proposal being set aside and not evaluated.

Encourage innovation with flexible criteria

Flexibility in setting criteria can be key to encouraging a wide range of solutions when buying innovation. Instead of imposing mandatory criteria from the start, consider introducing these requirements at later stages. This allows suppliers more time to meet them, keeping the process transparent and open to a broader range of participants.

When in doubt, avoid setting mandatory criteria and use scoring instead. This approach helps narrow down preferred solutions and suppliers without locking solutions out. Scoring systems can prioritise compliance with key requirements, while still considering all proposals. This is particularly important for emerging markets where suppliers may not yet have worked with government.

Small to medium enterprises (SMEs) are the source of much of Australia's innovation. They can also struggle to meet certain requirements upfront, such as insurance, modern slavery or cyber security measures. Buying teams should consider building compliance pathways into later stages if solutions don't initially meet requirements. This approach ensures SMEs are not excluded from the process and supports their long-term growth.

Options for pathways to compliance

The buying team can revisit the design of later stages and consider how suppliers can be supported to meet requirements. Pathways to compliance vary depending on the requirement and the maturity of the market, but may include:

- improving awareness of requirements through existing government guidance
- providing more structured education around how to meet requirements
- enforce requirements at later stages, e.g. only at the time of final agreement
- build the cost of meeting a requirement into the final contract.

When mandatory criteria can't be met

When no supplier can meet the already approved and communicated mandatory criteria, procurement teams often need to adjust them. This process can be time-consuming, delaying the entire evaluation process so changes can be reviewed and approved. In extreme cases the procurement may need to be terminated and restarted with updated criteria, adding further delays.

A rigid approach that relies heavily on mandatory criteria leaves little room for negotiation or flexibility. It blocks innovative solutions that might otherwise emerge if suppliers were enabled to meet requirements gradually through education, support or adjustments over time. By building in flexibility, procurement teams can better support innovation while still ensuring key project goals are met.

Examples of rigidity

Default contract positions not being tailored for the project

— for example, on-shore data storage. If only overseas vendors can solve a problem but none are willing to keep data within Australia, no solution can be assessed. Market scans can help determine if this is a likely outcome and criteria can be left flexible to keep options open.

Technical requirements that are poorly defined, unrealistic or not applicable to the project

— for example, non-functional criteria from a template. 'The solution must elastically scale to meet increased demand and must de-provision instances when not in use' is included as mandatory criteria when it was not applicable for the requirements.

Requiring immediate compliance rather than pathways to compliance

— for example, insisting on full insurance coverage at the start of a contract, even if a supplier could meet the requirement over time. Consider establishing pathways to compliance enables suppliers to meet mandatory requirements over time. These could be through education, training or financial support.

How to determine genuine showstoppers

To determine which requirements are truly non-negotiable, buying teams can start by reviewing the likely form of contract and identifying any non-negotiable terms and conditions. In an ICT environment, it's important to pinpoint fixed technical constraints or requirements. Neither of these can be compromised, even though the end solution might still be unclear and based only on market research.

Next, consider whether you are willing to abandon the project if suppliers fail to meet certain mandatory criteria. This is especially critical when dealing with emerging technologies or less mature markets, where there is no guarantee any suppliers can fully comply.

If strict compliance is not possible, explore pathways to compliance.

Resources

[Staged evaluation criteria](#)

[Level of detail by stage](#)

Explore Test and Buy Innovation

- Set requirements and criteria for innovationeast
- Stakeholder managementeast
- Staged evaluation criteriaeast
- Level of detail by stageeast

- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programmeeast ↗
- Get help from Test and Buy Innovation advisoryeast ↗
- Get your procurement strategy approvedeast

Document outcome-focused requirements

Structure outcome focused requirements that involve uncertainty.



Buying projects that are truly open to innovation aim to attract innovative solutions by asking the market to help achieve an outcome. This is done by taking a challenge statement to market and inviting shortlisted respondents to meet more specific and technical requirements at later stages. At each stage, buying teams refine their requirements based on insights from the previous stage.

Why this is challenging

Innovation buying teams using an outcomes-focused approach don't know the end solution and don't use specifications. They often face the challenge of structuring and documenting a Statement of Requirements (SoR) that involves uncertainty. Existing SoR templates tend to focus on certain information and need to be tailored for challenge-based and multi-stage market approaches.

This page supports buying teams to prepare a challenge-based Statement of Requirements as part of either:

- a market approach to gather market intelligence such as for an Expression of Interest (EoI) or Request for Information (RFI)
- the first stage of a single buying strategy that covers a multi-stage approach.

It helps buying teams document an SoR for outcome-focused market approaches to help achieve great innovation outcomes, while giving suppliers the clarity they need, about:

- project background and business objectives
- scope of both the immediate, and any longer-term opportunity
- deliverables for each stage of multi-stage procurements
- timelines and milestones
- detailed challenge statement including functional requirements
- non-functional requirements
- mandatory requirements
- what is out of scope
- assumptions and constraints
- pricing.

Resources

[Use an outcome focus](#)

[Define the challenge statement](#)

When to document requirements

A Statement of Requirements should be documented after the Discovery phase of procurement. This means a business case or equivalent (such as project mandate) should be in place, confirming the problem is worth solving and that funding is available for at least some early testing of solutions. Buying teams should also ensure that decision-makers have appetite to pursue funding for full implementation if testing is successful, and that they understand the [Iteration Plan](#) that will drive testing and short-listing. Through [market research](#), the buying team should also have confirmed that asking the market for proposals is an appropriate way to solve the problem.

An SoR should build on a well-defined challenge, which is part of the **Scope step**. By defining a challenge, a buying team goes into this first step of the Plan phase with a strong, shared understanding of the problem and desired outcomes, and good engagement with the relevant expertise.

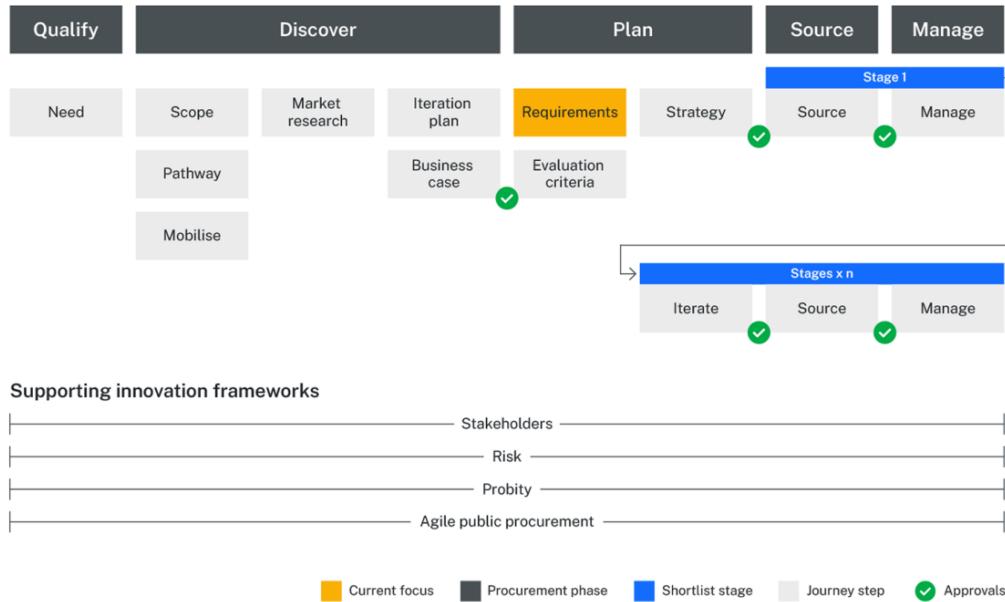


Figure 1: Buying teams should document the Statement of Requirements after Scoping for Innovation and completing their Market Research, Business Plan and Iteration Plan, but before defining their evaluation criteria.

Expand the boxes below to learn more about when to document the requirements.

[Expand all](#)

[Collapse all](#)

How requirements relate to other steps

A Statement of Requirements should be completed:

- after checking on alignment with ICT strategies
- after an initial discovery, innovation scoping and challenge statement definition
- after subject-matter experts and other key contributors have been identified
- after a business case confirms the problem is worth solving, and funding is available
- after establishing an iteration plan to drive testing and short-listing, if multi-stage
- before setting evaluation criteria
- before documenting a procurement strategy
- before suppliers have been engaged, other than for market research purposes, to ensure probity provisions and risks have been considered.

How to use the outputs of Statement of Requirements

The Statement of Requirements document will be used to create:

- evaluation criteria
- evaluation plan
- Tender documents (RfX)
- supplier briefings and interactive engagements.

Who to involve and their responsibilities

The buyer is the primary driver of documenting the business requirements for innovation. This is because of the focus on the problem or desired outcomes for a business area or service.

However, the buyer can rarely complete this step alone. Involvement of users and other subject-matter experts is essential for understanding a problem space, mandatory NSW Government policy requirements and technical requirements such as AI assurance and cyber security.

The buyer or their agent, such as a product or project manager, should identify the key people needed to write, review or approve the Statement of Requirements.

For the smoothest evaluation process later on, the people involved in evaluation should contribute to, or at least review, the Statement of Requirements. This helps avoid consensus challenges by creating an early, shared understanding of the business need.

Expand the headings below to read about the responsibilities of different roles.

[Expand all](#)

[Collapse all](#)

Buyer

The buyer is responsible for assembling the team of experts to collaborate on the Statement of Requirements.

They, or their agent, should identify the key people needed to write, review or approve the document.

As a minimum, they should involve the following key people or roles and ensure they are aware of how challenge-based requirements differ from technical requirements.

- The procurement advisor and/or probity representative, who should review and help shape the scope of deliverables in a way that suppliers will understand
- SME roles such as service designer, ICT partner, enterprise architect, digital, cybersecurity, privacy, accessibility, risk, AI assurance, and innovation specialists, who may contribute to scope writing and review activities

- Approvers.

Procurement officer and probity representatives

The procurement officer should review and help shape the Statement of Requirements in a way that suppliers can understand. They will need to be aware of how an outcome-focused innovation scope might differ from technical requirements.

They should help identify the key people needed to review or approve the Statement of Requirements document.

Subject-matter expert

Responsibilities vary for different types of subject-matter experts:

- service designers may be engaged to write the challenge statement and to incorporate it into a Statement of Requirements
- technical roles such as ICT partner, enterprise architect, digital strategy, cybersecurity, privacy, accessibility, risk, AI assurance, and innovation specialists may provide information about the current state, non-functional requirements or constraints and may contribute to scope-writing and review activities
- legal advisors, who may be engaged to review market-facing documents at a later stage, will need to be made aware of how innovation requirements might differ from technical requirements.

Approver

Buying teams should engage approvers as early as possible with a focus on helping them understand how innovation scope might differ from technical requirements. This builds confidence in how the Statement of Requirements is being completed and can speed up approvals later.

Next steps

What a Statement of Requirement should look like to attract innovation

[Prepare a Statement of Requirements](#)

Document a Statement of Requirements resources

[Prepare a Statement of Requirements](#)

What a Statement of Requirements should look like to attract innovation.

east

Explore Test and Buy Innovation

- Scope for innovationeast
- Key innovation scoping stepseast
- Define challenge statementeast
- Set requirements and criteria for innovationeast
- Stakeholder managementeast
- Prepare a Statement of Requirementseast
- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programeast ↗
- Get help from Test and Buy Innovation advisoryeast ↗
- Get your procurement strategy approvedeast

Worked risk examples

Understand how to apply an innovation mindset to risk management through worked examples from a fictional buying scenario.

This page provides worked examples of risk management in the context of innovation procurement. Both examples are based on the same fictional scenario. The examples are intended as a thought exercise and an indicative journey. They should not be interpreted as formal instructions or a prescribed approach.

To get the most benefit from the examples, read the scenario first then use the drop-down boxes to understand how each risk is managed.

The scenario

A buying team is developing a procurement strategy for a multi-stage and outcome-based innovation procurement.

The team wants to uncover solutions that can make complex policy environments understandable to key stakeholders.

The buying team is working through key risks for the buying project, to ensure they are building in controls and planning ahead for when they expect risks to arise. They also want to be clear about any flow-on effects of their proposed controls, giving decision-makers confidence that risks are worth taking and will be well managed.

The procurement strategy includes the following stages:

- **Industry engagement** – to help shape the problem space.
- **A challenge statement** – released to the open market to attract solution proposals.
- **A pitch-fest** – to hear more detail about how shortlisted proposals can solve the challenge, including opportunities for suppliers to seek clarification on the problem statement.
- **A Proof of Concept** – with one or more solutions to test for benefits and feasibility and to inform a business case to fund the full implementation of the solution.
- **Implementation of the preferred solution(s) at scale** – subject to a successful business case.

Example 1 - managing a probity risk

The project lead, Sabrina, has noticed that some of the proposed activities in the innovation buying pathway involve more interaction with suppliers than she has seen before. Sabrina has reviewed guidance around managing supplier interaction. She feels overwhelmed by the processes needed to maintain and defend probity.

Expand the boxes below to follow Sabrina through her risk management process.

[Expand all](#)

[Collapse all](#)

Step 1. Communication and consultation

Sabrina has mobilised a core buying team which includes a procurement advisor, an ICT advisor and a representative from the business function that is experiencing the problem. They have determined their innovation scope by following the Test and Buy Innovation guidance to engage stakeholders in problem shaping, eventually defining a challenge statement.

The team members are familiar with risks relating to the business function and to standard procurements (i.e. specification-based procurements). The procurement advisor recognises that innovation introduces new risks and the team does not feel equipped to evaluate or manage them.

Step 2. Scope, context, criteria

Since this is the first time Sabrina has worked on an innovation buying project, she needs some innovation procurement support.

By reading the guidance, she understands that supplier interaction is part of reducing the overall risk of the project. This ensures that both solutions and suppliers are fit for purpose before investing in and implementing the end solution.

Sabrina can see the importance of quality supplier interactions at a few points:

- Industry engagement could unearth new information about the problem space they are exploring. It can confirm if the problem has been solved elsewhere and ensure the challenge statement can attract good solutions.
- Allowing suppliers to seek clarifications directly from the business function about the challenge statement ahead of the pitch-fest gives them the opportunity to better customise their proposal and demonstrate their understanding of users and ability to work with a government-specific scenario.
- Working closely with the suppliers shortlisted for the Proof of Concept (PoC) will improve the quality of the solution developed. It will also test how well suppliers can work with the project team and users.

Sabrina has some experience with running transparent and fair supplier interactions from previous buying projects. However, probity considerations were simpler in that project because all supplier communications were completely open and consistent.

Sabrina decides she needs some more expertise and contacts the agency governance and risk team. They agree to provide an independent advisor to help identify specific risks and controls. They tell her that for a higher value or higher profile project, they would have recommended appointing an external probity advisor.

Sabrina meets with the independent advisor to go through the innovation mindset for risk management. They test out a few hypothetical risks and treatments to make sure they have a shared understanding of which risks will help drive innovation and how to manage them.

[Read more about the probity-related risks that can be amplified when buying innovation.](#)

Step 3. Risk identification

With the help of the independent advisor, Sabrina narrows down the sources of probity risk that could apply to her project.

She describes each risk in terms of (a) cause, (b) what may happen and (c) impact on objectives.

She identifies four key probity-related risks:

1. **Intellectual Property (IP)** – During early industry engagement, suppliers might reveal IP that is then incorporated into a Request for Proposal. This could lead to formal complaints, lost time and legal costs. It could also damage the NSW Government's reputation as an innovation and engagement partner.
2. **Perceived advantage** – A supplier with a stronger grasp of the challenge statement may ask more mature clarification questions. Their shortlisting for the next stage might be perceived by another supplier as preferential treatment. This could lead to a dispute of the outcome, delays to project timelines and damage to the NSW Government's reputation.
3. **Perceived bias in technical requirements** – Technical requirements documented in the Request for Proposals for the final stage (Scale implementation) could closely resemble one solution put through a Proof of Concept (PoC) and not the others. Suppliers of the other solutions may perceive that the scope and technical requirements have been biased towards something one supplier already offers. This could lead to formal complaints, lost time and legal costs. It could also damage the NSW Government's reputation as an innovation collaboration partner.
4. **Perceived bias in evaluation criteria** – Following the PoC stage, adjustments to the originally proposed evaluation criteria might be necessary to better align with the technical requirements. Suppliers may perceive these changes as biased towards a particular

supplier. This could lead to formal complaints, lost time, legal costs and damage to the NSW Government's reputation.

Steps 4 and 5. Risk analysis and evaluation

Sabrina considers the controls that are already in place for the three probity risks.

To help with this, she reads ahead to the Risk treatment step to see if any of the proposed treatments are already in place. Note: if they already exist, they are called controls.

Sabrina focuses on scoring residual risk (that is, the risk left over based on effectiveness of current controls). She uses her agency risk management framework to score the severity of the consequence if the risk occurs and the likelihood of the risk occurring. This gives her an overall rating for each risk.

The next step is to narrow down the risks that require further treatment. She refers to her agency's risk appetite statement and discusses key risks with project sponsors or decision-makers to confirm the acceptable level risks for her buying project. She notes the appetite may vary for different kinds of risks or different aspects of the project.

Step 6. Risk treatment

For each of the four risks from the Identify the risk step, Sabrina has the option to remove them entirely.

She is aware, however, that true innovation depends on these risks being taken. She knows that not taking them could create a much bigger risk when implementing and investing in the end solution. Instead, she looks at ways to reduce the likelihood or consequence of each risk:

1. Intellectual Property (IP)

Reducing the consequence of compromising someone's IP may be challenging, but Sabrina identifies several measures to reduce the likelihood:

- She consults with her agency's legal team to adopt a default position on how IP will be used and clearly communicates this position before and during the engagement activity.
- She schedules a session to explain this position to anyone involved in supplier engagement and problem-framing, providing examples of potential IP issues.
- Sabrina asks the independent advisor from Step 2 to attend the engagement sessions and provide an independent view on whether any IP was compromised before the request for proposals is released.

2. Perceived advantage

Reduce the likelihood:

- Sabrina foreshadows all clarification processes in an open, shared forum and gives suppliers the chance to object to any proposed steps in the process.
- She trains team members involved in the engagement activity by running them through scenarios to help them differentiate between clarifications and additional information.

Reduce the consequence:

- She ensures processes are defensible through good minute-taking and the presence of the independent advisor.

3. Perceived bias in technical requirements

Reduce the likelihood:

- Sabrina plans for all co-design stage deliverables to be evaluated at the close of the stage, and feedback given to all suppliers, to minimise surprise outcomes for suppliers in the next stage.
- She budgets for compensation of suppliers for their participation in a Proof of Concept (PoC).
- She clearly communicates when technical requirements will be documented and how the PoC stage will feed into their definition and notifies suppliers if any new information leads to changes in the initially communicated process.

Reduce the consequence:

- Sabrina ensures the development of technical requirements is defensible by documenting the reasons for focusing on a specific solution type and including the independent advisor in discussions to validate those records.

4. Perceived bias in Evaluation Criteria

Reduce the likelihood:

- Sabrina is transparent in supplier communication about the fact that the pathway may adjust.
- She proactively communicates the structure and rigour around any separate supplier interactions, earning the confidence of suppliers.
- She consults guidance on best practice engagement steps and uses tailored pro-forma content in market-facing documents and briefings to manage supplier expectations.

Reduce the consequence:

- Sabrina carefully justifies, minutes, and/or documents decision-making about supplier interactions and any changes to the procurement approach to ensure defensibility if a complaint should arise. This is effective against reputation impacts, but may not reduce time and/or cost impacts.
- She consults guidance on documentation of communication and decision-making and ensures the iteration plan sets up project gates that account for relevant reviews of information, well-governed decision-making and robust records.

Step 7. Monitor and review

Sabrina ensures all identified risks are documented and initial controls are in place before proceeding with the procurement and approvals. This includes compiling risks, assigning owners to monitor and review the risks and presenting this initial risk register to decision makers for review and approval.

Sabrina revisits the risk register and proposed controls ahead of each supplier engagement to ensure all probity considerations are embedded into the structure and plan for each engagement. This includes ensuring the engagement plan includes clear guidelines for maintaining transparency and fairness.

Sabrina reassesses and updates probity risks risk before starting each stage to reflect any changes. This includes reviewing past stages, updating the risk register and gathering any feedback for improvement. For example, learning that a participant is prone to complaints or litigation might cause Sabrina to increase the likelihood of probity risks, thereby increasing their profile.

She also continuously monitors risks and controls throughout the procurement process. This includes regular scheduled reviews and maintaining detailed records of all risk monitoring activities including meeting minutes, updated risk registers and decisions made. She ensures that the risk management strategies are agile with the ability to adapt to evolving project conditions.

Lastly Sabrina conducts a comprehensive review of the entire procurement process to evaluate risk management effectiveness. This ensures continuous improvement in risk management practices for future innovation procurements.

Example 2 - managing a technical risk

Sabrina, the project lead, doesn't have a lot of technical ICT/digital expertise. She knows the agency ICT team will need to have a say in how a technology solution might be implemented and does not want proposals to be constrained by technical requirements. She also wants to avoid seeking proposals constrained by technical requirements. In fact, she is not even confident that the best solution would be a technology one.

Expand the boxes below to follow Sabrina through her risk management process.

[Expand all](#)

[Collapse all](#)

Step 1. Communication and consultation

Sabrina has included an ICT advisor in the core buying team, but also understands that more specific expertise may be needed as the team starts evaluating proposals and narrowing down solutions. She knows it will be important to engage any technical subject-matter experts (SMEs) early in the project, before the procurement strategy is committed.

The ICT advisor has flagged the project with some experts in key technical areas like cyber security, data privacy and artificial intelligence, but hasn't yet briefed them or asked them to contribute.

Step 2. Scope, context, criteria

Sabrina recognises her own limited ICT expertise and is grateful to have Mason, an ICT business partner, as part of the core buying team. He has a deep understanding of the agency's technical landscape and can connect her to more specific expertise when needed. Since he is part of the core buying team, he has participated in mobilisation and has been briefed on the project and market approach.

Mason understands the project's aims and notes that while there is no guarantee that a technology-based solution will emerge, it's essential to prepare for the possibility. He conducts a market scan and identifies a few existing technologies that solve similar problems, providing valuable insights into the state of the market.

Mason understands the importance of keeping the early stages of the project focused on the challenge and desired outcomes rather than on technical specifications. This approach encourages innovative proposals that are not limited by predefined technical requirements. However, Mason also points out that if the project does move towards a technology-based solution, numerous technical considerations and risks will need to be managed.

Together, Sabrina and Mason outline the initial steps for engaging technical experts throughout the project. Mason serves as the primary ICT contact, providing ongoing support and advice, while also identifying other relevant technical experts within the agency as necessary. He

conducts a thorough market scan to gather intelligence, sharing the findings with the project team to enhance their understanding of potential solutions and associated risks. Additionally, Mason identifies existing technologies that address similar challenges, and he emphasises the importance of risk awareness by highlighting potential technical risks like system integration challenges, cybersecurity threats and data privacy concerns. These risks will be continuously monitored and evaluated at each stage of the procurement process to ensure proactive management.

Step 3. Risk identification

For the procurement strategy, Mason and Sabrina agree to highlight one key overarching risk: the uncertainty about the final solution. This uncertainty poses a significant challenge because it means they cannot identify and manage specific technology risks at the outset. These risks include system integration, cyber security, data privacy and others.

Mason and Sabrina document the risk, using the three-part structure:

Uncertainty about the end solution

- **Cause** – The inherent uncertainty about the end solution makes it difficult to pinpoint and address specific technology risks. These include system integration, cyber security, data privacy and more.
- **What may happen** – This uncertainty can lead to potential risks being overlooked or inadequately managed, resulting in unplanned work to address these risks as they emerge. In the worst-case scenario, it could lead to significant issues like a security breach or system integration failure.
- **Impact on objectives** – These unmanaged risks could affect project timelines, leading to delays and increased costs. Additionally, trust and collaboration with shortlisted suppliers may suffer if unexpected technical issues arise.

Mason and Sabrina agree that the project team will need to revisit the risk assessment at each stage of the procurement process. As technology solutions are proposed and shortlisted, they will need to define specific risks and develop appropriate mitigants. This approach ensures that as more information becomes available, they can identify and manage risks responsively. The detailed strategies for managing these risks are outlined in Step 6. Risk treatment below.

Steps 4 and 5. Risk analysis and evaluation

Sabrina considers the controls already in place for technical risks. Principally, the multi-stage approach to procurement which provides a structured way to uncover new information about the potential solution.

She consults with Mason who feels that, while these existing controls are a strong base for identifying risks later on, they don't give any guarantee of uncovering specific technology risks. This means the residual risk might still be relatively high. Sabrina reflects this in her scores for the severity and likelihood of the risk, to get an overall rating.

She then refers to the agency's risk appetite statement and discusses key risks with project sponsors or decision-makers to confirm the acceptable level of risks for her buying project. In this case, the risk is deemed to need further treatment.

Step 6. Risk treatment

Mason and Sabrina agree it is not possible to remove this risk entirely, as the buying project would not attract innovation if they did. Removing the risk would introduce other, much bigger risks like investing in a solution that doesn't solve the problem effectively, provides less value for money or may be out of date very quickly. They focus instead on how they can reduce the likelihood and consequence.

They reduce likelihood of missing technology risks as solutions are narrowed down by:

- **Inclusion of ICT representative** – Including a representative from the central ICT team on the evaluation panel ensures that technical considerations are addressed from the onset.
- **Structured review activities** – Defining a structured activity between each stage to review information from proposals and identify technology risks. This includes regular meetings to discuss potential risks and their management.
- **Architectural review board or similar governance body** – Once enough information is available, consulting an architectural review board or similar governance body can provide expert insights and identify hidden risks.
- **Technical expertise in design** – Seeking input from technical experts on the design of stages or contributing to the questions that are asked of suppliers. For example, questions can be tailored to elicit information about software integration considerations and a Proof of Concept (PoC) can test the supplier's ability to work within the operating environment.
- **Stage planning activities** – Building in stage planning activities that allow those technical experts to revisit their input when more information is available after each stage. This ensures that the risk assessment is current and reflects the latest information.

They also reduce the consequence by:

- **Internal ICT policies** – Using internal ICT policies and protocols to review the supplier's systems ensures that any solution aligns with existing standards and practices.
- **Appropriate contracting framework** – Using the appropriate ICT/digital contracting framework so that if a risk is missed within a stage, it will still be tackled as part of negotiating any agreement. This includes clauses that cover unforeseen technical issues and ensure they are addressed without additional cost or delay.

- **Early communication** – Communicating the preferred contracting framework to suppliers early so they are less likely to be surprised by technical requirements even if they weren't part of the evaluation. Clear communication can help set expectations and reduce resistance to compliance.
- **Collaborative relationships** – Maintaining collaborative relationships with relevant technical experts, ensuring they are briefed early and know about upcoming milestones. This way, if something is missed, they are more likely to be able to mobilise quickly to help fix it.
- **Proactive engagement** – Regularly engaging with technical experts to gather feedback and insights. This continuous loop of communication helps in identifying and addressing potential issues before they escalate.

Step 7. Monitor and review

For this risk, monitoring is not just about keeping track of the risk, it is actually one of the treatments. Sabrina and Mason expect to find new risks throughout the process. They build in steps to do so, consulting with technical experts before opening each stage. Sabrina schedules regular risk assessments at key milestones in the project to reevaluate and update the risk register. This ensures that emerging risks are identified and addressed promptly.

Sabrina and Mason establish a continuous feedback loop with technical experts and project stakeholders. This ensures that any new information or change in the project is considered in the risk management process. To assist with this, Sabrina develops a reporting structure to keep senior management and project sponsors informed of any new risks, their potential impacts and steps to mitigate them.

Sabrina and Mason conduct post-stage reviews to analyse the effectiveness of risk management strategies and adjust as necessary. This helps in refining the approach and improving the overall risk management process.

As time goes by, the severity and likelihood of this risk should decrease as the preferred solution is narrowed down. Technical experts will be able to provide informed inputs to the process as new technical risks are identified. These can have more targeted controls and treatments.

Resources

[Risk appetite when buying innovation](#)

[Apply your agency's risk framework](#)

Explore Test and Buy Innovation

- Agile procurement framework
- Agile buying for the public sector
- Get ahead of probity and risk
- Amplified probity risk
- Probity risk treatment
- Manage innovation buying risk
- The innovation buying journey
- Learn about Test and Buy Innovation Program
- Get help from Test and Buy Innovation advisory
- Innovation buying framework

Set up for success

Find the building blocks to design your procurement pathways and tactics, align key stakeholders, define desired outcomes and frame a problem statement for the market.



Before approaching the market

Buying innovation means investing significant time and resources in the Discover phase to define the objectives of the buying project and ensure the procurement approach supports them.

Things might be more complex

Buying innovation often involves a multi-stage sourcing strategy and using a problem statement to approach the market. While these approaches are possible under current procurement processes, they are more challenging than usual because the sourcing of the end solution remains uncertain. Tackling this uncertainty requires some approaches that are unfamiliar or rarely used by procurement officers and approvers. That's why it's important to align key people on what to expect from the start of the buying project to minimise surprises or conflict down track.

With complexity comes greater risk

Considering procurement late in a project can be a risk to successful project outcomes. Engaging the market, narrowing down solutions or running tests and trials directly with one or more suppliers without planning for implementation at scale could be the best approach in some circumstances. Making uninformed decisions about the scale stage can lead to rolling back successful pilots. It can also lead to more unplanned market approaches, project slippage, erosion of forecast benefit and market perceptions of unfairness.

This guidance will help set your innovation buying project up for success. It helps you decide if you want to scale, explore the best tactics, align your buying team and shape a market-facing challenge.

Tools to set buyers up for a successful buying outcome



Align your need with strategy

Discover whether a need should be addressed and how to approach it.

- [How to assess a need ↗](#)
- [Why and when to align a need with strategy ↗](#)
- [Who to involve and how ↗](#)
- [Getting started ↗](#)

[View more ↗](#)

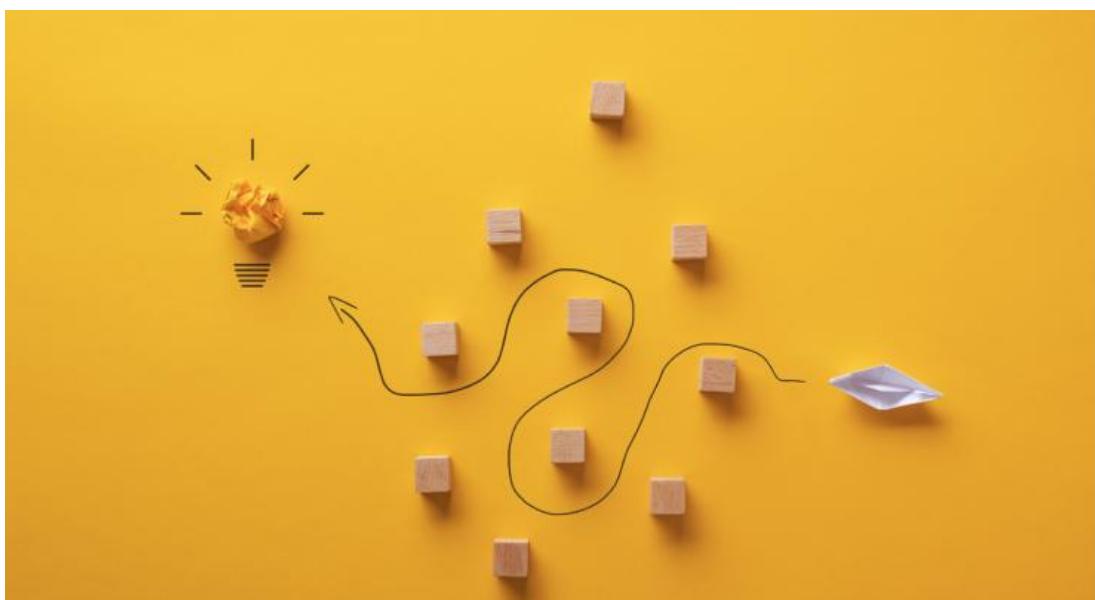


Scope for innovation

Shape and define a challenge for the market to solve.

- Why define innovation scope
- When and how to scope for innovation ↗
- Key innovation scoping steps ↗
- The risks of assuming the solution

[View more](#)

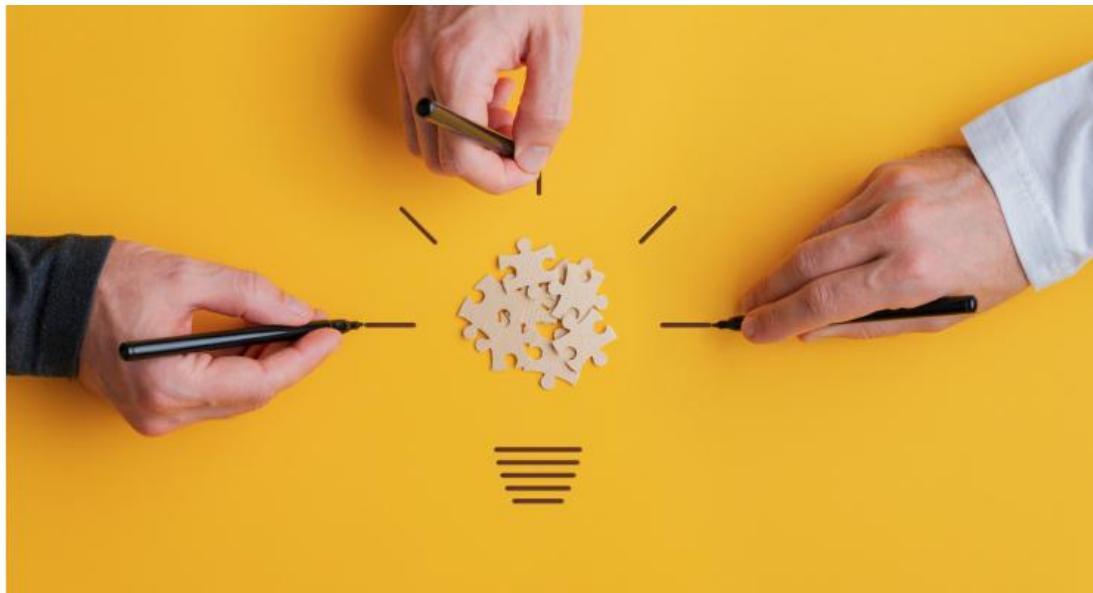


Buying pathway

A step-by-step guide for buyers designing a pathway to support optimal innovation outcomes.

- Why develop buying pathways? ↗
- When and how to develop buying pathways ↗
- Choose whether to plan for scale
- Explore tactics to shape pathways

[View more](#)



Mobilise your buying team

Get the right people together and on the same page before and during the project.

- Why mobilise your buying team? ↗
- When and how to mobilise ↗
- Key mobilisation milestones
- Stakeholder roles and responsibilities

[View more](#)

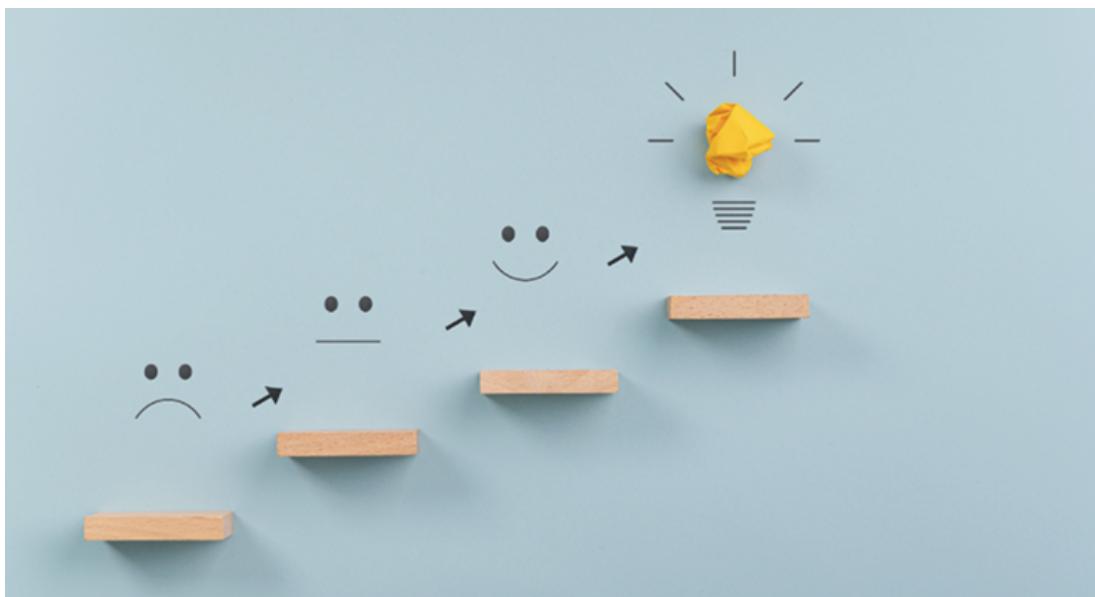


Probity when buying innovation

Protect practices that foster innovation while navigating treatments for probity risk.

- Why probity matters
- When to consider probity ↗
- Amplified probity risk
- Probity risk treatments

[View more ↗](#)



Conduct market research

Iteratively gather market intelligence across emergent domains that involve uncertainty.

- Scope and purpose of market research
- Build insights iteratively
- Sources and sharing provisions
- Risk of assuming the solution

[View more](#)

Explore Test and Buy Innovation

- Innovation eligibility checklist
- The innovation buying journey
- Stakeholder management
- Learn about Test and Buy Innovation Program
- Get help from Test and Buy Innovation advisory

Agile procurement framework

Apply agile methodologies to support iterative testing and learning to achieve great innovation buying outcomes.



Why agile procurement is important

When buying projects use a [challenge statement ↗](#) to attract innovative solutions, they don't know the end solution. They face the challenge of structuring and documenting a procurement approach that has a lot of uncertainty.

Aligning methods for ICT project delivery and procurement

Agile is a form of project management designed to deliver products and services iteratively. With a focus on learning quickly and adapting, agile is well-suited to managing uncertainty. Agile methods are increasingly used in the NSW Government for ICT project delivery but are less familiar in procurement.

Standard procurement requires buying teams to know all procurement parameters before approaching the market. When buying innovation, teams should form instead a hypothesis about each of those parameters, expect to learn new things and periodically revisit any decisions made. Learning and adapting is at the heart of agile. Affected parameters include:

- what they want to buy
- how they will evaluate it
- how much it will cost
- the risks they will need to manage
- how long it will take
- how they will deliver it
- how they will contract for it.

This page describes how buying teams can adopt agile methodologies to achieve great innovation outcomes and manage risk in their buying projects. It helps teams apply agile procurement in a public sector context while meeting procurement obligations.

Learn more about the [agile public procurement framework](#).

While this page focuses on agile procurement, project teams looking for guidance on agile project management methods can read more on the [Agile principles and benefits](#) and refer to the [Digital NSW toolkit](#). Some agencies may also have internal agile experts.

When to apply agile methods to procurement

Agile procurement is the recommended approach for managing innovation procurement. It is also useful for any procurement with a multi-stage approach if there is some uncertainty about the outcome. For ICT procurement there is a high likelihood that agile methodologies will also be used for delivery or implementation of the solution.

Agile procurement supports every step of the innovation buying journey, as shown in Figure 1. Buying teams should set up to apply the agile public procurement framework as early as possible.

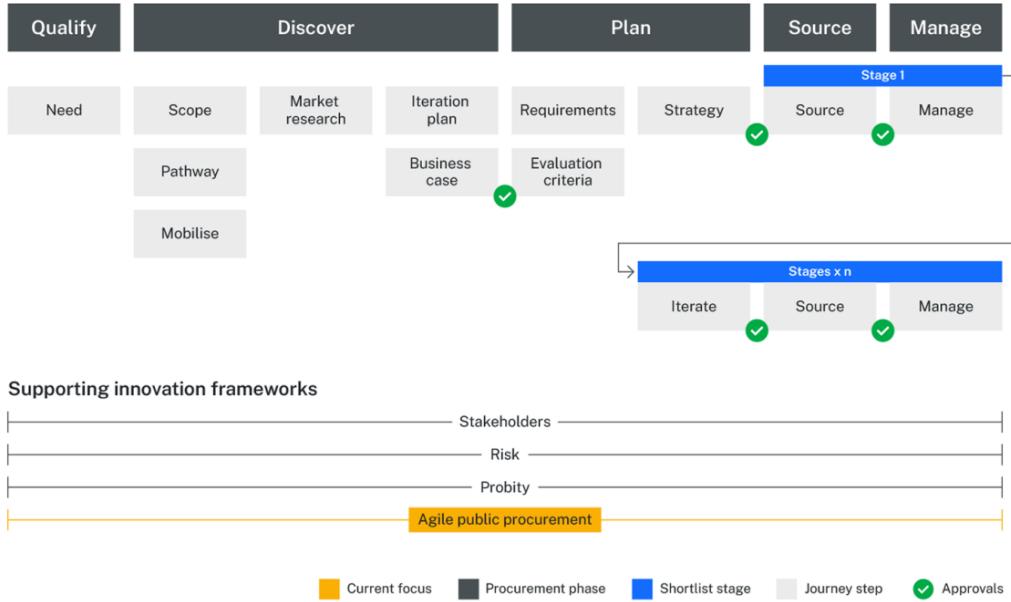


Figure 1: Agile public procurement is one of the key frameworks that underpin the multi-stage procurement process.

How to apply an agile public procurement in each phase

There are also specific actions to either prepare for, or implement, an agile framework at each phase of procurement.

[Expand all](#)

[Collapse all](#)

Qualify phase

The decision to use an agile methodology forms part of whether a buying project qualifies for innovation procurement.

Getting buy-in to use the agile public procurement framework from the start creates a strong foundation for a buying project. It gives the buying team the best chance of identifying the right stakeholders. It also helps with managing expectations about the steps to follow, the time to allocate and how decisions will be made.

Discover phase

The Discover phase of innovation procurement sets up how the agile procurement framework will apply. Also, how it will interact with other processes like project management and business cases. Each step in the Discover phase plays an important role in setting up agile processes not often used in procurement.

In the [Scope step ↗](#), problem shaping leads to an outcome-focused challenge statement which attracts innovative proposals. It is also the frame of reference for documenting requirements and evaluating proposals. Thus, it drives the evaluation process which generates the insights to help refine later stages. Scoping is therefore foundational for iteration.

In the [Pathway step](#), early views on the best methods for supplier engagement and solution testing are formed. These shape the timing and methods for uncovering new information. The pathway therefore proactively drives iteration.

In the [Mobilise step ↗](#) stakeholders will need to understand how to participate in agile procurement. This includes working collaboratively and anticipating how their role will evolve as information is uncovered. This will help future phases run more smoothly. The mobilisation guidance ensures that stakeholders:

- understand the buying objective and the role of the outcome-focused challenge statement
- know how evidence and research will form the basis of an iterative approach
- have clearly documented roles and ways of working
- embrace and expect change as part of execution and know how to govern it.

In the [Market research step ↗](#), there is often a limit to information that can be uncovered through desktop research and/or industry engagement. Thus, the stages of procurement and iterations between them become an ongoing form of market research. Buying teams can think ahead about what new insights at each stage might shape the next steps in the process.

In the [Iteration plan step ↗](#), buying teams apply the agile public procurement framework by building on the buying pathway to create project-specific stages, gates and decision-making processes.

If a [Business case ↗](#) is required there will usually be formal decision gates that unlock funding. These should be reflected in the iteration plan. This applies even for less formal business cases. Aligning business case or funding stages with the iteration plan will ensure that evidence from procurement is informing investment decisions. In turn, this ensures procurement stages are designed to collect the evidence needed.

Plan phase

During the initial Plan phase of an agile procurement, the outcome-focus and iteration structure gets formalised into procurement processes and documentation. Iteration is not usually part of procurement for buying projects involving known solutions. Nor is it usually accommodated by procurement templates for requirements or strategies. The [Document your buying strategy ↗](#) page has guidance on how to approach procurement strategies for agile procurement.

The challenge statement from the scoping step, stages and stage gates from the iteration plan will be needed to complete:

The Requirements step ↗, including:

- Market-facing requirements (usually an outcome-focused challenge statement)
- Stage-based requirements (e.g. the requirements of a Proof of Concept)
- Stage gates where stage design can be revisited based on any new insights.

The Evaluation criteria step ↗, including:

- Outcome-focused evaluation criteria
- Stage-based evolution of evaluation criteria (e.g. cyber security might be assessed in detail as part of a Proof of Concept, but not at an earlier stage like a pitch).

The Strategy step, including:

- The milestones and expected timing for each stage that align to stage gates
- Types of changes and governance structures for each.

Each subsequent stage starts with an Iterate step ↗, where requirements, evaluation criteria and the stages of the buying strategy are revisited based on insights from the previous stage. Any resulting changes should trigger some action, based on the change governance in the strategy.

Source phase

During the initial Source phase of procurement, buying teams need to be able to communicate agile structures to suppliers. Stages and iteration are not usually accommodated by procurement templates for market-facing documentation or evaluation plans. Guidance on tailoring market-facing documents and evaluation plans for agile procurement is coming soon.

Information relating to iteration in **tender documents** should come directly from documents approved in the Plan phase. Information from the Plan phase that will need to be communicated to suppliers include:

- stage names, objectives and approximate timing
- staged requirements and associated evaluation criteria
- staged funding, including any uncertainty where funding of later stages is subject to a business case
- how any iterations will be communicated to suppliers, e.g. if the scope of a testing stage needs to change based on the evaluation of the previous stage.

Evaluation plans will also need to capture information about when iteration will occur and how change will be managed. This should come directly from approved Plan phase documents. This includes:

- staged requirements and associated evaluation criteria

- when evaluation criteria will be revisited and how any changes will be governed and communicated.

If there are subsequent Source phases (e.g. second or third rounds of shortlisting), the tender documents and evaluation plans will need to be updated. Updates should highlight any changes that impact suppliers.

Manage phase

An agile procurement approach can involve multiple Manage phases. Like in the Source phase(s), it involves bringing forward prior lessons to iterate upon and shape future steps.

The contracting approach documented in the buying strategy may be adjusted in line with the evidence uncovered during the previous Source and Manage phases. It may itself include multiple milestones that allow for iteration.

If any change occurs, project teams should check for probity implications or other risks. They should manage these through clear communication with suppliers or other stakeholders covering what the change is, why it has occurred and any potential impacts.

Who to involve

To support iteration, contributions of subject-matter experts are needed through all procurement stages. Every [stakeholder ↗](#) involved in the procurement should be informed of the agile, iterative approach as early as possible. This ensures they can help anticipate changes and adapt to new evidence.

To ensure each stage uncovers the right information at the right time, subject-matter experts should be willing to 'look around the corner' and participate in:

- the design of the procurement pathway
- defining the scope of each stage
- identifying the information that will be requested from suppliers at each stage
- setting stage-based evaluation criteria
- assessing and reassessing risks and mitigants.

After each stage, SMEs should reflect on learnings from the stage and help refine the information requested from suppliers at later stages.

Every stakeholder has a role to play within the iterative structure of agile procurement, but certain stakeholders have specific responsibilities in creating structures and driving iteration.

Expand the headings below to read more about their contributions:

[Expand all](#)[Collapse all](#)

Project manager/lead

Project leads should drive agile ways of working within the buying team and any engaged stakeholder groups, with a particular focus on subject-matter experts. They should also factor in early stakeholder engagement when developing project timelines.

If project leads are not familiar with agile methods, they will find useful resources in the [mobilisation ↗](#), [pathway](#) and [iteration plan ↗](#) steps.

Procurement

Agile procurement can feel difficult because most templates, guides and practices are not designed with stages or iterations in mind. Early collaboration with procurement teams can make it easier to tailor templates and design agile procurement practices. Procurement teams can also help get ahead of value for money, compliance and probity matters.

In turn, procurement teams should aim to be comfortable iterating and revisiting decisions when new information emerges. They should support buying teams to create iterative structures where change is expected and governed rather than avoided. Where risks are managed well rather than removed.

Service designers

Service designers can help embed agile ways of working in a buying team by facilitating mobilisation activities, agile management tools and other ceremonies as the procurement progresses.

Approvers and financial delegates

Approvers and financial delegates should be willing to revisit decisions based on new evidence when signing off on the procurement strategy, approving spend and entering into agreements with suppliers. They should focus on ensuring changes are justified and well-governed.

Buying teams may need to invest time into building the comfort of approvers, preparing them to expect changes and reassuring them about how change will be managed. The iteration plan is a useful tool for creating buy-in for agile practices.

Risk domain experts

Experts in risk domains such as probity, legal, governance, IT, cyber security, data privacy and artificial intelligence may be engaged in an innovation buying project. They should be comfortable with a degree of uncertainty over their role at the start of the process, when they are first engaged. These experts can help anticipate when risks in their domain of expertise can be

more accurately identified. They can also help design their contribution to future stages and iterations. Early and consistent engagement throughout the process will ensure they know when there is enough information for them to make detailed contributions.

Buying teams may need to invest time into building the comfort of these risk domain experts, reassuring them of how their contributions will be anticipated and managed at each stage. The iteration plan is a useful tool for creating buy-in for agile practices.

Getting started

[Agile principles and benefits ↗](#)

[Agile buying for the public sector ↗](#)

[Develop your iteration plan ↗](#)

Agile procurement framework resources

[Agile principle and benefits](#)

Discover agile principles, uncover benefits and access resources.

east

[Agile buying for the public sector](#)

Enable outcomes, support governance and public obligations.

east

Explore Test and Buy Innovation

- Stakeholder management [east ↗](#)
- Stakeholder roles and responsibilities [east ↗](#)
- Engage the right expert for each step [east ↗](#)
- Agile procurement framework [east](#)
- Agile principles and benefits [east ↗](#)
- Agile buying for the public sector [east ↗](#)
- Probit when buying innovation [east ↗](#)
- Amplified probit risk [east ↗](#)

- [Probit risk treatmentseast ↗](#)
- [Get ahead of probity and riskeast ↗](#)
- [Risk management when buying innovationeast ↗](#)
- [Key innovation buying risk conceptseast ↗](#)
- [Apply your agency's risk frameworkeast ↗](#)
- [Worked risk exampleseast ↗](#)
- [Policy support for buying innovationeast ↗](#)
- [The innovation buying journeyeast ↗](#)
- [Learn about Test and Buy Innovation Programeast ↗](#)
- [Get help from Test and Buy Innovation advisoryeast ↗](#)

Approach to categories and contracting

Navigate decisions around buying categories, rules and contracts, while remaining open to innovation.

Why adopt a staged approach

Within procurement strategies, buying teams generally indicate a buying category, show how they will follow category rules and identify which agreement (contract) will be used to manage delivery.

When the end solution is unknown, it may not be possible to identify the appropriate buying category, rules or contract. In fact, sticking to a single buying category could either lock out innovative solutions or increase the risk of the investment.

A staged approach to buying categories and contracts will help attract innovation and set the buying team up for adaptive risk management. Stakeholder buy-in to the staged approach will ensure the right balance between compliance and flexibility.

Who to involve and why

Information about categories and contracting is needed by two main stakeholder groups:

- **Approvers** – so they can assess compliance with procurement policies and management of risk through contractual controls.
- **Suppliers** – locks in information they will need to know to respond to a tender and negotiate contracting terms.

Because these two groups may not be familiar with staged approaches in this context, buying teams should plan communications carefully to be transparent and build confidence.

Involving the right expertise early will help avoid compliance issues arising later in the procurement. To set up for a staged approach to categories and contracts, buying teams should engage with:

- **Procurement specialists** – can advise the buying category rules that could apply, whether the procurement complies with those rules and any other related risks.
- **Legal advisers** – to identify critical contract positions and risks early, which can be addressed at the start, where competitive tension and leverage are greatest.

- **Probitry adviser** – to ensure the way buying category rules are being planned for and communicated to potential suppliers is transparent and fair.

Principles to apply for categories and contracting

Although aiming to attract a wide range of solutions, innovation buying projects need to follow buying category rules and create leverage for future agreements. To achieve this balance, buying teams should:

- stay open to possibilities
- find the best starting point
- maximise leverage despite uncertainty
- refine iteratively at each stage.

The rest of this page helps buying teams work with each of these principles to navigate decisions around buying categories, rules and contracts.

Stay open to possibilities

When buying innovation, project teams should try to be open to a range of buying categories, buying rules and contracts. This does not mean avoiding the issue entirely, however. There is still planning that can and should be done to find the right starting point and maximise leverage from the market approach.

Expand the boxes to read about the benefits of keeping buying categories and contracts open.

[Expand all](#)

[Collapse all](#)

Avoid locking out innovation

Requirements associated with a buying category, such as membership of a scheme, could exclude suppliers who don't meet those requirements at the time of submitting a proposal. The project could miss out on valuable, innovative solutions or capabilities.

Adhering to a single buying category may also exclude innovative solutions that don't neatly fit into one category. Some innovative solutions might span multiple buying categories, making a flexible approach essential.

For example, a project may initially assume that a new digital platform is the solution to a problem. However the best solution might be to get professional services advice on optimising existing business processes.

Attract a wide range of solutions

Buying teams should avoid setting restrictive requirements upfront. Even where strict mandates exist for a buying category, such as scheme membership or technical certifications, they usually aren't needed initially. Buying teams can flag these requirements and ask suppliers to acknowledge them. They can then ask for more evidence from a smaller number of suppliers after shortlisting.

This approach lowers the barriers for responding to a tender, making it easier for a diverse range of suppliers to participate. This way, buying teams can explore the full range of solutions and improve confidence in their shortlisting at each stage.

With a staged approach, buying teams can understand what the market can offer and whether key government requirements can be met. If initial proposals show a lack of compliant solutions, and promising solutions might struggle to meet requirements, there is flexibility to consider compliance support options. This includes offering education, access to expertise or funding to help suppliers meet requirements.

Ensure contracts are fit for purpose

Contract templates and default positions help manage certain delivery risks. Thus, contracts should reflect the risk and complexity of the solution being delivered. For innovation, buying teams should not lock in a simple form of contract until they know enough about the preferred solution(s) to be confident that contractual positions will effectively mitigate risks.

Agile procurement means adjusting and refining contract templates and specific terms as more is learned about the solution during each stage of the process. This ensures that agreements are always aligned with the evolving understanding of the project.

For example, [the ICT Purchasing Framework](#) can help manage the unique risks associated with ICT, such as cyber security. However, it may not effectively manage risks associated with other buying categories. Contractual clauses should be tailored to mitigate specific risks, even if it means borrowing clauses from other buying categories.

Examples of cross-category purchasing

Buying teams can get an idea of whether potential solutions might cross over multiple buying categories through market research and looking out for the examples of non-ICT or cross-category goods and services listed below. Each combination of goods and services might need different contractual approaches. This depends on the nature of the work and the extent to which technology is integrated.

ICT-related elements within non-ICT projects

This covers situations where a project is primarily non-ICT, but certain elements fall under ICT. For example, a construction project that involves installation of network or audio-visual equipment, including connected or 'smart' infrastructure.

Other examples include lockers at stations operated via an app or professional services facilitated by a platform, bringing ICT-related risks.

Non-technology solutions

Innovative solutions may not involve technology or fall under non-ICT purchasing arrangements. For example, professional services developing policy, strategy or engagements to solve problems that might enable technology implementation in the future.

Often there are policy, process or information barriers that prevent the successful implementation of technology. Solving for these may be a valid outcome for a project.

Fintech

Solutions related to financial technology that may involve payments or interaction with schemes or other banking processes could require unique contractual terms. Contracting approaches might treat either banking agreements or ICT agreements as the primary template, depending on the best fit. Specific terms from the secondary agreement could be introduced to manage risks not covered by the primary template.

Contractors/contingent workforce

Engaging temporary or contract workers may be governed by different contractual agreements. This might occur to support the implementation of non-technology solutions. Or supplement internal resources to build a technology solution where outsourcing is not the preferred approach following market research.

Find the best starting point

Buying teams should have a robust starting position on buying categories and contracts based on an understanding of the types of proposals that are likely to come in. This becomes a hypothesis which buying teams can validate or test at each stage of procurement, adjusting as needed.

For a strong hypothesis, buying teams should consider:

- likely buying categories
- any applicable schemes or panel arrangements and their membership requirements
- buying thresholds, requirements relating to number of quotes and relevant approvals
- any other buying rules associated with a category

- form of agreement for stages vs end solution
- whether reseller arrangements could be proposed.

Expand the boxes to read how market research and proactive communication can inform a starting position that can flexibly adjust to potential changes.

[Expand all](#)

[Collapse all](#)

The role of market research

As with a scientific hypothesis, the starting position should be an informed one, based on the best information available at the time. Buying teams need some insight into the current state of the market and the types of solutions that could emerge. [Market research](#) helps identify suitable buying categories and plan for a range of scenarios, including whether reseller arrangements could be proposed.

Communicate proactively

Buying teams should clearly communicate the chosen approach to buying categories and contracting, as well as any uncertainties and how changes will be managed. This applies to all procurement documentation, whether for internal approvals or market facing.

Proactive communication may use standard/pro-forma content directly or tailor it to:

- identify the likely forms of agreement and the level of confidence
- communicate any known contractual risks
- explain the role of different stages in refining assumptions
- identify which information might change and why
- explain how changes will be governed and/or communicated.

Being transparent about potential changes and the rationale behind decisions helps build trust with suppliers and other stakeholders.

It is important to show how testing and feedback from suppliers will be used and how decisions will evolve with new evidence. This will improve cooperation and alignment throughout the procurement process.

Maximise leverage despite uncertainty

To have a smooth contract negotiation experience, it is good practice to include contract terms in the initial market approach. It is also important to ask for any proposed variations to those terms as early as possible.

When the solution is known, this is usually done by attaching the entire agreement to be used to the tender documentation. Since the solution is not known for innovation, buying teams need to alter this approach in a way that sets clear expectations around contracting terms as much as possible.

Expand the boxes to read how to create leverage when the solution is not known.

[Expand all](#)

[Collapse all](#)

Identify critical clauses

Based on the starting hypothesis about potential solutions, buying teams can work with legal teams on expected key contract terms. Identifying these clauses early helps set clear expectations, minimises surprises, ensures potential risks are managed from the outset and supports smoother contract negotiations.

These can be identified through one or more forms of agreement that might apply to the final purchase, based on the expected range of possibilities. Some contractual clauses are common and equally important across buying categories, such as:

- indemnities and liability
- insurance
- intellectual property
- confidentiality
- early termination.

For ICT-related projects, additional clauses from [the ICT Purchasing Framework](#) may be considered high-risk and worth managing proactively. These might include:

- customer data handling
- privacy requirements
- security and security incidents
- reseller arrangements (e.g., End User License Agreements or step-in provisions)
- artificial intelligence assessments.

For solutions that cross over other buying categories, like professional services or banking services, there might be additional clauses that are considered high-risk or critical.

Include key contract terms in initial market approach

Buying teams can retain flexibility while communicating contractual expectations up front. This transparency benefits buying teams just as much as suppliers, who want to make an informed decision to participate in a tender.

Transparency, in this case, means informing suppliers of contractual terms that will need to be agreed to later in the process. This helps suppliers understand future obligations without imposing restrictive requirements or unnecessary barriers.

Procurement teams can seek acknowledgment from suppliers that they would be willing to meet key contractual terms. Or they could ask for proposed variations to critical terms. This allows for clarification of supplier positions when competition is at its highest, even if the final form of agreement hasn't been determined.

Early engagement on key terms can reveal any strong opposition or concerns so buying teams can plan and adjust if needed. By addressing these potential issues early on, procurement teams can reduce the likelihood of unexpected last-minute contract negotiations, minimising delays.

Communicate potential forms of agreement

Buying teams should indicate in tender documents which forms of agreement are likely to be used. This enables suppliers to prepare and align their proposals accordingly. It's important to clarify that agreements might be revisited and adjusted as more information about the solutions becomes available. This helps manage supplier expectations.

Buying teams should also confirm how suppliers will be notified of any decisions or changes to the contract terms or forms of agreement. This ensures ensuring ongoing transparency and trust. For example, buying teams could inform suppliers that the final form of agreement for a stage will always be confirmed before suppliers are invited to participate.

Communicate other requirements associated with the buying category

Buying teams should inform suppliers about any specific requirements related to likely buying categories. These can include scheme memberships, insurance levels, or certifications. It's not recommended to make these requirements mandatory in the first stage. However, understanding suppliers' capability to meet requirements helps plan and adjust for future stages.

This proactive approach allows buying teams to identify potential gaps early. This enables them to support suppliers in meeting necessary standards if compliant options are not available. It helps build a more inclusive, diverse and competitive environment.

Refine iteratively at each stage

In [agile procurement](#), each stage is an opportunity to learn more about potential solutions. This can help refine the understanding of which buying categories apply and which contracting approach fits the risk profile.

While planning for each stage, buying teams should consider:

- Have you gathered enough information from the previous stage to refine the buying categories and/or contracts for the end solution?
- Is the contract you planned to use for the next stage still appropriate, or does it need adjusting?
- Who needs to contribute to, verify and/or approve a change in the contract type?
- Are you in a position to ask suppliers for more detail on contract terms or other requirements associated with the buying category?
- How will you communicate changes from the original intent to suppliers?
- How will what you've learned impact the negotiation of agreements for future stages or end solution?
- Do you expect any variations to contract terms & conditions and could you ask about these at the next stage?
- Are any other steps needed to ease the pressure on negotiations at the final stage?

A note on compliance pathways

If it becomes clear through the proposals that certain requirements can't be met by the majority of suppliers, buying teams can consider compliance pathways. There is a range of pathways that might help suppliers meet requirements. These include education, targeted support, access to expertise, linking requirements to the award of the final contract or providing funding to meet requirements. This is equally important when [setting evaluation criteria ↗](#). It ensures promising solutions aren't dismissed due to initial non-compliance.

Buying teams should consider any pathways that can help achieve business outcomes while managing risk exposure for the NSW Government, based on market research findings and early stage tender responses. Asking suppliers to indicate intention or ability to comply, rather than demonstrate compliance, in early stages, helps contribute to market insights.

Some examples of compliance pathways are listed below.

[Expand all](#)

[Collapse all](#)

Insurance

The level of insurance (including cyber security insurance) required to do business with the NSW Government may not be feasible for a small business to obtain before responding to a tender. At this stage there is no guarantee of success or revenue. It may, however, become feasible if the supplier can account for the costs of the insurance in their pricing model. In such cases, they would usually be willing to commit to obtaining the relevant insurance before entering into a contract.

Modern slavery

Smaller businesses, particularly those who have not dealt with the NSW Government before, may not understand modern slavery requirements. This may also be the case for other social procurement policies. These suppliers might not be able to meet these sorts of requirements when submitting a proposal. However, they may still be able to meet them eventually, with enough support.

Resources

[Write innovation buying strategy ↗](#)

[Write innovation challenge guidelines](#)

Explore Test and Buy Innovation

- [Get your procurement strategy approvedeast](#)
- [Stakeholder managementeast](#)
- [Write innovation challenge guidelineseast ↗](#)
- [Buying pathwayeast ↗](#)
- [The innovation buying journeyeast ↗](#)
- [Learn about Test and Buy Innovation Programmeeast ↗](#)
- [Get help from Test and Buy Innovation advisoryeast ↗](#)

Prepare your business case

Manage uncertainty by aligning business case and budget milestones with procurement stages while satisfying agency and supplier objectives.



Buying innovation – approach for budgets and business cases

NSW Government agencies often expect buyers to have a confirmed budget, funding source and project mandate (or business case) before approaching the market. This practice helps ensure:

- suppliers do not waste time participating in a tender that doesn't lead to a purchase
- buyers do not waste time preparing market-facing documentation and/or assessing proposals that might not lead to a solution that can be bought or implemented
- for ICT/digital solutions, agencies can confirm that proposed technology fits in with enterprise architecture and digital strategies

- agencies can determine whether buying something new is the right approach to meet project objectives and thus identify the best-suited sourcing methods.

A buying project that is open to innovation should attract a range of solutions. Finalising a budget or business case before narrowing down those solutions would be very difficult. It is therefore important that, when buying innovation, agencies align their budgeting and business case milestones with the stages of procurement.

Strict budget or business case requirements can hamper the ability to find new and innovative solutions. It is therefore important that requirements are tailored to support innovation.

This page guides buying teams on how to approach budgets and business case requirements for multi-stage procurements. It also guides agencies to support their buying teams while satisfying agency and supplier objectives.

When to set a budget and business case

The [NSW Government Business Case Guidelines](#) help determine which projects require a formal business case. Agencies may also have their own internal guidelines. Most agencies require a business case (sometimes referred to as a 'project mandate') before approaching the market or approving the release of funds. Some require it before buying teams can engage procurement support.

Business case development should happen after [Market research](#) and alongside [Iteration planning](#), during the Discover phase. Having market insights ensures an informed decision to approach the market, as opposed to using an existing solution. Developing a business case at the same time as iteration planning ensures there is alignment between procurement stages and project or funding gates.

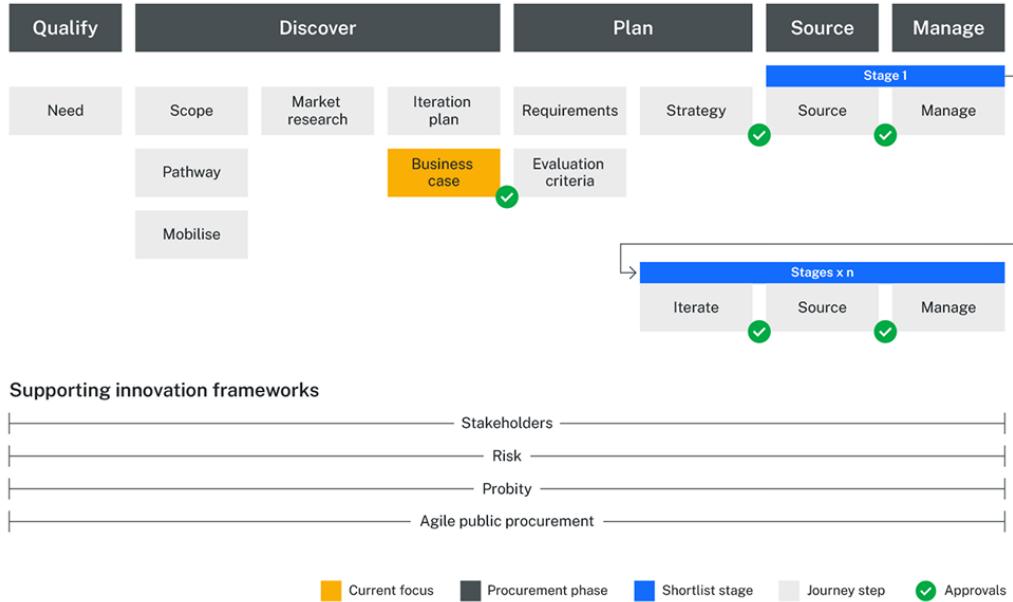


Figure 1: A business case is one of two concurrent steps in the Discover phase of the innovation buying journey, along with Iteration plan.

Organisations can reduce investment risk by supporting a staged approach to budgets. Buying teams should ensure funding is available for at least one testing stage before approaching the market, such as for a Proof of Concept, and should ensure suppliers understand which stages are funded and which might be subject to future decisions.

Who to involve

[NSW Government business case guidelines](#) cover many of the stakeholders involved in creating a business case. Expand the boxes below to learn more about the roles that are most relevant to innovation procurement.

[Expand all](#)

[Collapse all](#)

Approvers

Early engagement with approvers including financial delegates can save delays when it comes time to approve a budget and business case. They may need to endorse the investment of more time and resources into challenge framing and a multi-stage strategy for the procurement. They may also need to approve allocation of time, money and resources into trials or other ways of testing solutions to reduce risk. Consulting with these decision-makers when developing a business case can help achieve buy-in at a senior level.

Procurement

Innovation buying teams should seek procurement advice before a business case is locked in and approved. Some procurement teams prefer to get involved after a business case is approved, however business cases often include elements that need procurement input or have procurement effects, such as:

- whether to build or buy a solution
- insights from market research covering the types of solutions available, their maturity and the capability of suppliers
- whether to approach the market with technical specifications for a known solution, or a challenge statement that is outcomes-focused and open to a range of solutions
- stages and stage gates to narrow options and release funds, which may include testing and may need to align with procurement activities
- proposed testing or trial options and compliance with public sector obligations around value for money, competition, fairness and transparency.

Risk, probity or governance

Advice from risk, probity or governance experts ensures a fair, transparent, defensible and robust process is built into all supplier-facing activities. Their involvement depends on the scale, complexity and sensitivity of the business case and adopted procurement method. As a general rule, the earlier their advice is sought, the better they are able to help identify and mitigate risks.

There is a risk of perceived unfairness where the availability of future funding depends on a successful business case, and the business case will incorporate findings from early procurement stages. These kinds of experts can help identify and plan for that risk, including through the design of stages and stage gates, and transparent supplier communication.

Service designer

Service designers bring skills in mobilising teams, designing stages and facilitating collaborative input. These can help set up for success in the otherwise complex process of business case development. Service designers tend to have workshops or artefacts that help to bring experts together and frame a compelling business case.

In NSW Treasury's Gateway Review process, Gate 0 (also known as the strategic assessment or go/no-go decision point) focuses on whether a proposed project's need is appropriately defined and evidenced before allocating resources for a full business case. It's a crucial step to ensure projects are strategically aligned and justified before significant investment. For [Gate 0 business cases](#) which focus on problem definition, service designers can help shape and frame a problem.

ICT and digital strategy

ICT experts and digital strategists can provide advice and direction on solutions that might solve a particular challenge. These could be from an existing catalogue from another agency, a future roadmap or their understanding of what is available in the market. They can help drive market research to explore and narrow down options. They can also help define requirements and constraints as part of a challenge statement.

Buy-in from these experts may help ICT governance bodies (such as Architecture Review Boards) consider staged approvals to business cases, focusing first on the problem, then on the options coming back from a market approach. These experts and governance bodies can also ensure the business case considers the following:

- consistency and standards
- best practices
- risk mitigation
- alignment with business goals
- quality assurance
- knowledge sharing and learning.

Setting a budget and/or business cases before a procurement

Managing budget and business cases in a way that enables innovation requires an agile or iterative approach. It also requires a clear understanding of the objectives behind existing budget and/or business case rules. The management approach can then be adapted for innovation while still protecting the objectives. For agencies that usually require a full budget or business case before starting a procurement, a key driver is to support informed decision-making for suppliers and buyers.

Suppliers are more likely to participate in a tender and invest in preparing a proposal when they receive clear and transparent information about:

- the duration of the engagement
- the scale of the final opportunity
- whether the opportunity is funded
- the minimum requirements or mandatory criteria
- how likely they are to succeed.

Buyers from the public sector can make an informed decision to invest in and implement a solution put forward by the market because it has confidence in:

- how well the solution solves the problem
- the ability of the supplier to meet government requirements
- the capability of the supplier to implement the solution
- the commercial viability of the supplier and/or solution
- the value for money of the solution.

Both groups' objectives can be achieved in a way that enables innovation by adopting a staged approach to budgets and business cases and ensuring transparency with suppliers.

Getting started

[Staged approach to budgets](#)

[Staged approach to business cases](#)

Resources

[Staged approach to budgets](#)

Estimate Total Contract Value (TCV), gain approval to spend and get proof of funding.

east

[Staged approach to business cases](#)

Focus on a strong case for change to support a market approach.

east

Explore Test and Buy Innovation

- [Staged approach to budgets](#)east
- [Staged approach to business cases](#)east
- [Scope for innovation](#)east
- [Set up for success](#)east
- [Conduct market research](#)east

- [Buying pathwayeast](#)
- [Get help from Test and Buy Innovation advisoryeast ↗](#)
- [The innovation buying journeyeast](#)
- [Learn about Test and Buy Innovation Programmeeast ↗](#)

Document your market approach

Document how your market approach will achieve buying objectives and comply with NSW Government procurement policies.



Before approaching the market, buying teams usually need to demonstrate how their market approach will achieve buying objectives and comply with NSW Government procurement policies. This may include an approval step before teams can approach the market.

While specific approval steps and processes vary between agencies, buying teams usually need some level of documentation that explains and justifies their market approach.

We refer to the central document in this process as an innovation buying strategy. Agencies may also call this a procurement plan, complex procurement plan, procurement strategy or sourcing strategy.

Agencies may require other documents to support an innovation buying strategy. These may include a covering briefing note, a statement of requirements and a risk assessment.

An innovation buying strategy and any supporting documentation draws from the insights and decisions of all the preceding steps in the Discovery and Plan phases.

Read more about how to build the [innovation buying strategy ↗](#).

For outcome-focused, multi-stage procurement, buying teams should also consider creating innovation challenge guidelines at this step. Preparing this market-facing document before it is needed is advantageous. It can:

- be a single source of truth for the team
- ensure the market approach is designed and communicated with the audience in mind (i.e. suppliers)
- speed up the preparation of market-facing documentation
- support effective briefing of approvers.

Read more about [innovation challenge guidelines ↗](#).

When to document your market approach

Documenting the market approach is the last step in the Plan phase of procurement. Approval of the innovation buying strategy signals the end of the Plan phase.

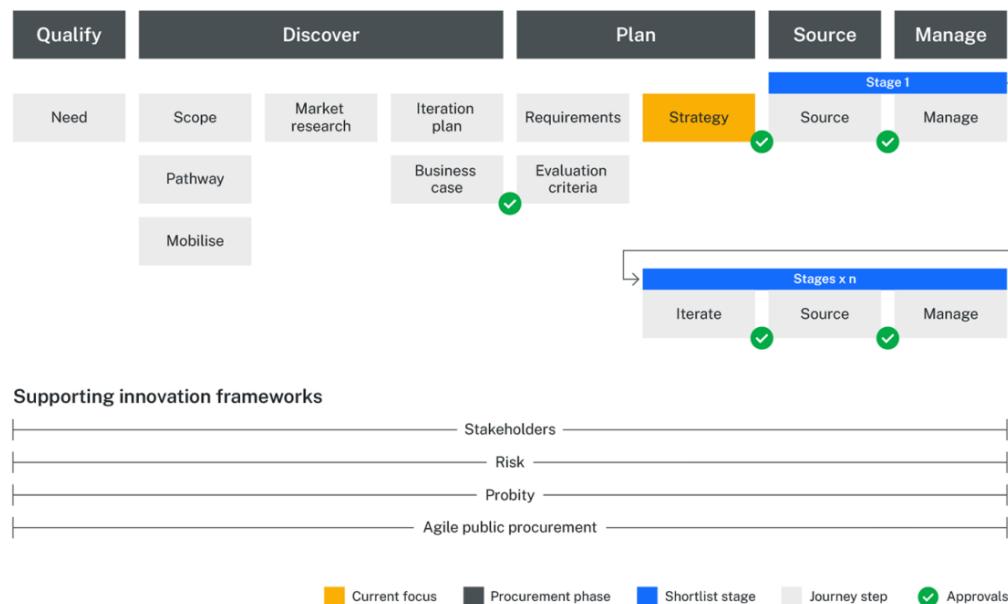


Figure 1: Buying teams should document the market approach after completing the preceding steps in the Discover and Plan phases.

Who to involve and why

Buying teams need to bring together several different areas of expertise to shape and capture the market approach. This diversity ensures the strategy will achieve buying objectives and is accurately communicated to decision-makers. Missing market expertise can result in:

- knowledge gaps about objectives or procurement options may cause down-stream issues
- incorrect assumptions about, or misinterpretations of, the procurement processes
- too much detail locked in early, or too little detail considered
- too many, too few or low quality supplier submissions
- higher likelihood of changes to the procurement strategy, potentially causing a significant departure from the original documented market approach (requiring the process to be abandoned and restarted).

Active collaboration between the core buying team and the experts listed below will make the most of their combined knowledge and experience. This means working out loud or workshopping the strategy together, rather than working separately on individual sections.

Working this way results in sharing of different perspectives, creates new insights and improves buy-in to the project.

Expand the types of experts below to learn how each can contribute to documenting a market approach.

[Expand all](#)

[Collapse all](#)

ICT professional

Buying teams should work with the relevant ICT/digital product, technical domain, cyber security, data and privacy risk specialists to ensure the market approach will achieve buying objectives and comply with NSW Government ICT policies.

These experts can assist with:

- outcome-focused requirements, technical constraints and evaluation criteria for the market approach
- data and insights from previous approaches to market
- interpretation of market research and implications for the market approach
- ICT risk identification and management
- describing the testing stages that form part of an innovation buying pathway.

Procurement professional

Buying teams should engage procurement specialists with ICT category and sourcing expertise when documenting the market approach to help reach the right suppliers.

They can advise on:

- which ICT categories or supplier capabilities might be relevant
- outcomes of previous approaches to market
- procurement-related risks and mitigants for the ICT procurement category
- procurement resources that may be needed to support a multi-stage approach, including the potential for additional probity support
- compliance with procurement policies.

Legal

Buying teams should consult with legal expertise on suitable instruments to support a market approach and the terms and conditions that might need to be considered for testing and final implementation stages. Terms and conditions will be more formally documented in the market-facing documents in the Source phase, however some key terms may need to be highlighted for decision-makers as part of the buying strategy.

Service designer

Buying teams should engage service design specialists while documenting the market approach and writing innovation challenge guidelines. Service designers help align the buying team, synthesise insights and facilitate collaboration sessions.

Operational business, technology owners and end users

Buyers can engage owners of operational business functions and related operational technology, as well as end users, to ensure the buying strategy accurately captures:

- problem to be solved, including the current state
- the challenge and defining requirements
- previous industry engagement undertaken such as market sounding or briefings
- linkages between the business environment, end user perspectives, relevant data and business processes on the one hand, with outcome-focused requirements and evaluation criteria on the other.

Probity

Buying teams should seek probity advice as early as possible. This way, if a probity advisor is recommended, they have an opportunity to understand the buying project objectives and provide guidance before significant decisions are made.

During the Plan phase they may provide advice on, and contribute to, the risk assessment and probity plan. In a multi-stage procurement they may be asked to provide advice on probity arrangements for the initial proposal stage and transitions into and between subsequent testing and/or implementation stages. This advice and any planned actions resulting from it should be captured in a buying strategy.

Expect and manage change

Buying innovation requires an agile, iterative approach to procurement - one that adapts to new information. Buying teams that are not able to iterate may not be managing risk effectively. Revisiting assumptions and decisions in light of new evidence is a great sign that innovation is occurring and that uncertainty is being managed well.

Read more about [agile procurement ↗](#) and [iteration plans ↗](#).

For a buying strategy to support an agile approach to procurement, it needs to be set up to iterate. It should define multiple distinct stages, with gates between each. Gates are an opportunity to revisit the parts of the strategy that have not been executed. This is in contrast to the standard approach to buying strategies which have a single stage that, once approved, often seems set in stone.

An innovation buying strategy should prepare approvers for potential iteration by explaining:

- that they should expect changes to the buying strategy
- how changes will be justified by evidence
- which changes are likely based on current evidence or levels of confidence
- how changes will be managed, approved (if necessary) and communicated.

Read more about [how to set up for effective iteration and change management within an innovation buying strategy ↗](#).

Getting started

[Write innovation buying strategy ↗](#)

[Approach to categories and contracting ↗](#)

[Write innovation challenge guidelines ↗](#)

Document your market approach resources

[Write the innovation buying strategy](#)

Adapt buying strategy templates for uncertainty and complexity

east

[Approach to categories and contracting](#)

Work with uncertainty in buying categories and contract templates.

east

[Write innovation challenge guidelines](#)

Concisely communicate key sections of the tender documents in plain English

east

Explore Test and Buy Innovation

- Get your procurement strategy approved↗
- Stakeholder management↗
- Write the innovation buying strategy↗
- Approach to categories and contracting↗
- Write innovation challenge guidelines↗
- Buying pathway↗
- The innovation buying journey↗
- Learn about Test and Buy Innovation Programme↗
- Get help from Test and Buy Innovation advisory↗

Stakeholder roles and responsibilities

Define stakeholder roles and responsibilities for successful buying project management, better project outcomes and greater stakeholder satisfaction.

The buyer's responsibility

The buyer must identify and engage stakeholders who may need to contribute to a buying project or who the project might impact. This page helps NSW Government employees running buying projects to identify, engage and manage experts to support their project and stakeholders impacted by the procurement.

The word 'buyer' is interpreted differently across government agencies and functions. For the purpose of innovation procurement, we use the following definition.

The buyer is the financial delegate accountable for the innovation buying project and business outcome. The buyer approves the procurement strategy, funding and drawdown of funds on behalf of the business unit.

A product owner, digital strategist or a project manager may act on behalf of the buyer. They are responsible for initiating an innovation buying project, which includes developing a strategy, business requirements and a case for change. These are then submitted for financial delegate approval.

Define stakeholder roles and responsibilities

Defining stakeholder roles and responsibilities is crucial for successful buying project management. Expand the boxes below to learn how it leads to better project outcomes and increased stakeholder satisfaction.

Expand allCollapse all

Clarity and accountability

- **Reduces ambiguity:** Clearly defined roles and responsibilities eliminate confusion about who is responsible for what, preventing overlaps, gaps or duplicated efforts.
- **Enhances accountability:** When each stakeholder knows their specific tasks and deliverables, it becomes easier to track progress and hold individuals accountable for their contributions.

- **Supports effective decision-making:** With clear roles, decision-making processes are streamlined, as stakeholders understand their authority and the information they need to contribute.

Improved communication and collaboration

- **Facilitates communication:** Knowing the roles and responsibilities of each stakeholder allows for targeted communication, ensuring that information is delivered to the right people through the most appropriate channels.
- **Promotes collaboration:** Clear roles foster a sense of teamwork and collaboration, as stakeholders understand how their work connects with others and how to work together effectively.
- **Reduces conflict:** When roles are well-defined, there is less potential for conflict arising from misunderstandings about responsibilities.

Increased stakeholder satisfaction

- **Manages expectations:** Defining roles helps manage stakeholder expectations by outlining what they can realistically expect from the project and from other stakeholders.
- **Builds trust:** When stakeholders feel heard, understood and valued, it builds trust and confidence in the project and the team.
- **Increases buy-in:** When stakeholders are actively involved and understand their role in the project, they are more likely to buy into the project's goals and contribute to its success.

Project success

- **Improves efficiency:** Well-defined roles and responsibilities lead to a more efficient project workflow, as tasks are completed on time and within budget.
- **Reduces risks:** By identifying potential risks early on and assigning responsibility for mitigating them, the project is less likely to encounter unexpected problems.
- **Better outcomes:** Ultimately, clear stakeholder roles and responsibilities contribute to better project outcomes, delivering the desired results and meeting the needs of all stakeholders.

When to define roles and responsibilities

During the [Mobilise your buying team](#) step, the core buying team should identify all key stakeholders, define their roles and responsibilities and determine the type and frequency of stakeholder engagement. The buying team should then update roles and responsibilities as new stakeholders become known.

How to define roles and responsibilities

This section supports buying teams to implement the four components of the [Stakeholder management framework](#). Click each heading for more detailed explanations and practical tools.

Identify

Identify all individuals and groups who have an interest in, or are impacted by, the project.

Analyse

Assess the level of interest, influence and potential impact of each stakeholder.

Plan

Develop specific plans for how to communicate with, consult and involve stakeholders based on their needs and influence.

Engage

Ensure clear, consistent and timely communication with stakeholders.

After implementation, they should be continuously monitored, evaluated and iterated.

1. Identify

Identify all individuals and groups who have an interest in, or are impacted by, the project. Use a RACI to avoid confusion, streamline workflows and improve project outcomes.

RACI is an acronym that stands for Responsible, Accountable, Consulted and Informed. It's a project management tool used to clarify and define roles and responsibilities within a team, ensuring that everyone understands their contribution to a project.

Here's a breakdown of each component of a RACI:

- **Responsible (R):** People or team who are directly responsible for completing the task or deliverable.
- **Accountable (A):** People who are ultimately answerable for the successful completion of a task or an outcome.
- **Consulted (C):** People whose opinions and input are sought and valued before making decisions or proceeding with a task.

- **Informed (I):** People who need to be kept in the loop about the progress and outcome of the task.

Expand the boxes below to learn more about each component of a RACI:

[Expand all](#)

[Collapse all](#)

Responsible

People assigned with a task are responsible for developing and completing that project deliverable. These people are typically hands-on team members who make direct contributions toward the completion of the project.

Examples of roles that will be directly responsible for deliverables include:

- project manager
- procurement officer
- subject-matter expert
- service designer.

If one person has been assigned too many tasks, they may struggle to manage their workload, leading to delays or burnout. To avoid this, project managers should use the RACI to ensure responsibilities are carefully distributed across the team. Regularly reviewing the matrix throughout the project helps identify and address any imbalances before they become critical.

Accountable

Accountable people ensure accountability to project deadlines, and ultimately, accountability to project completion. This group frequently also falls under the informed category.

Some examples of accountable people are:

- product owners
- delegated financial authorities
- business owners
- sponsors
- Chief Procurement Officer.

By clearly defining roles, a RACI prevents decision-making bottlenecks and confusion in the approval process. When roles are ambiguous, critical decisions can get delayed, as team members might not know who holds final accountability. The RACI eliminates this issue by ensuring that the individual responsible for approvals is clearly designated as Accountable. Additionally, identifying who needs to be consulted or informed reduces unnecessary back-and-forth, allowing decisions to be made quickly and efficiently without roadblocks. This clear communication flow optimises project progression and prevents delays.

Consulted

Consulted people's opinions are crucial, and their feedback needs to be considered at every step. These people provide guidance that is often a prerequisite to other project tasks, for example, providing legal guidance on a project throughout the process. If you are working on new product development or expansion, this could include all users.

Some examples of consulted people are:

- legal experts
- information and cybersecurity risk experts
- probity advisors
- end users.

Informed

Informed people are those that need to stay in the loop of communication throughout the project. They do not have to be consulted or be a part of the decision-making, but they should be made aware of all project updates. Typically, these consists of business owners or stakeholders that are more interested in viewing the project at a very high level. Keep this group on your CC list for awareness of topics, decisions and progress – that includes making them part of the initial project kick-off and project updates as optional attendees.

Some examples of informed people are:

- ministers
- Steering Committee members
- business owners
- end users
- affected stakeholder groups.

How to use a RACI tool

A RACI tool helps buying teams to visually group stakeholders according to whether they are responsible, accountable, consulted or informed.

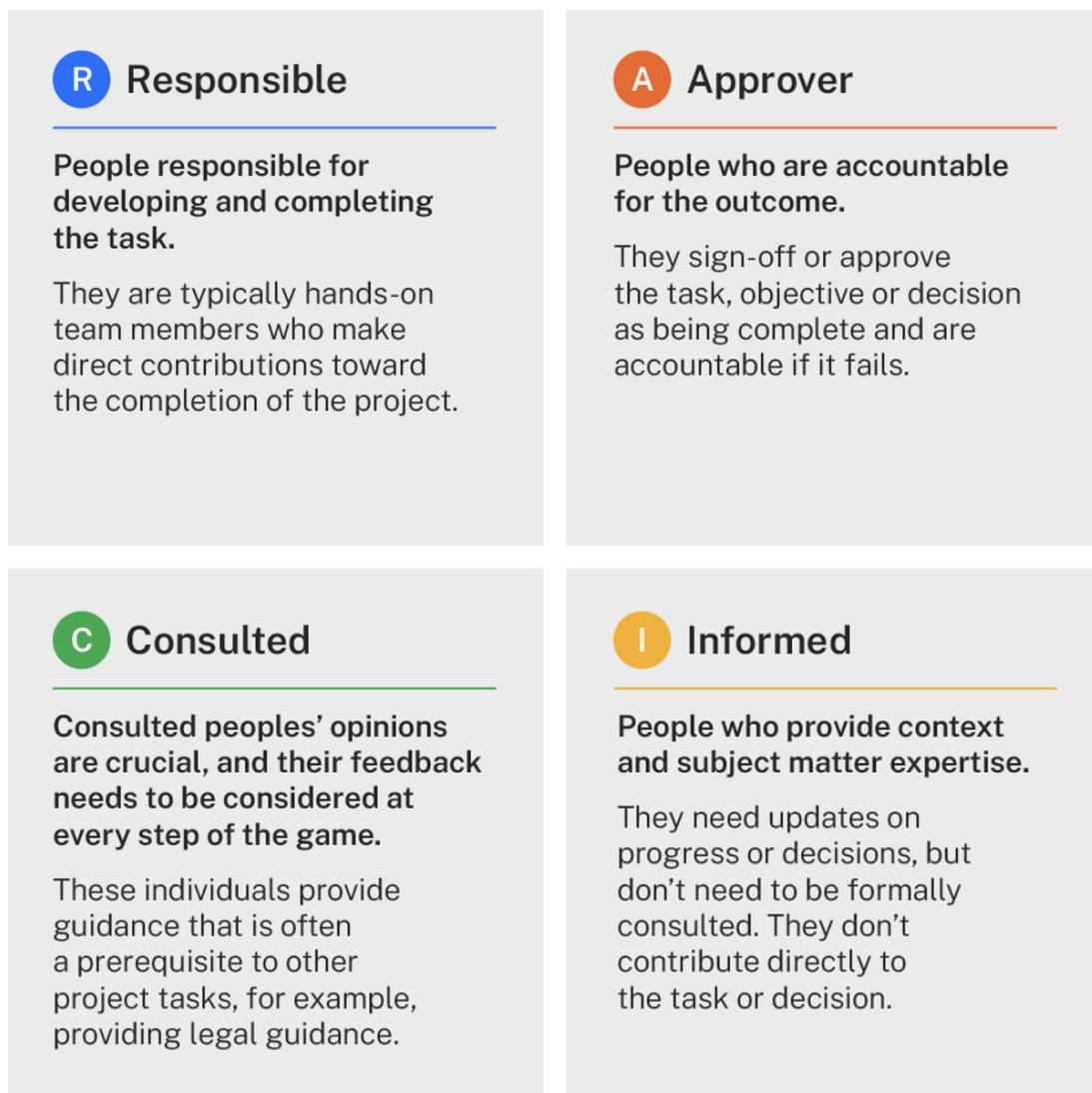
Expand the boxes below to access the RACI tool, step by step process and a completed example.

Steps to complete a RACI tool

Request access from the TBI advisory team to the [RACI tool via MIRO](#) ↗ and follow these steps to complete it as part of your team's buying project planning process.

- 1. Plan ahead before taking action:** You will need a thorough understanding of the buying project and its demands before communicating with key stakeholders and decision-makers.
- 2. Make an action plan:** List key activities, decisions and deliverables and what type of resource skills and roles would be needed for each.
- 3. Identify all people involved:** Identify the people on the buying team, the expert community, end users and approvers.
- 4. Gather as a group:** Hold review sessions with key members of the buying team to align on roles, and if you haven't already, host a [mobilisation](#) ↗ meeting with your team and any other key stakeholders to review the matrix and address questions.

As a guide, refer to the RACI tool example below.



2. Analyse

Assess the level of interest, influence and potential impact of each stakeholder.

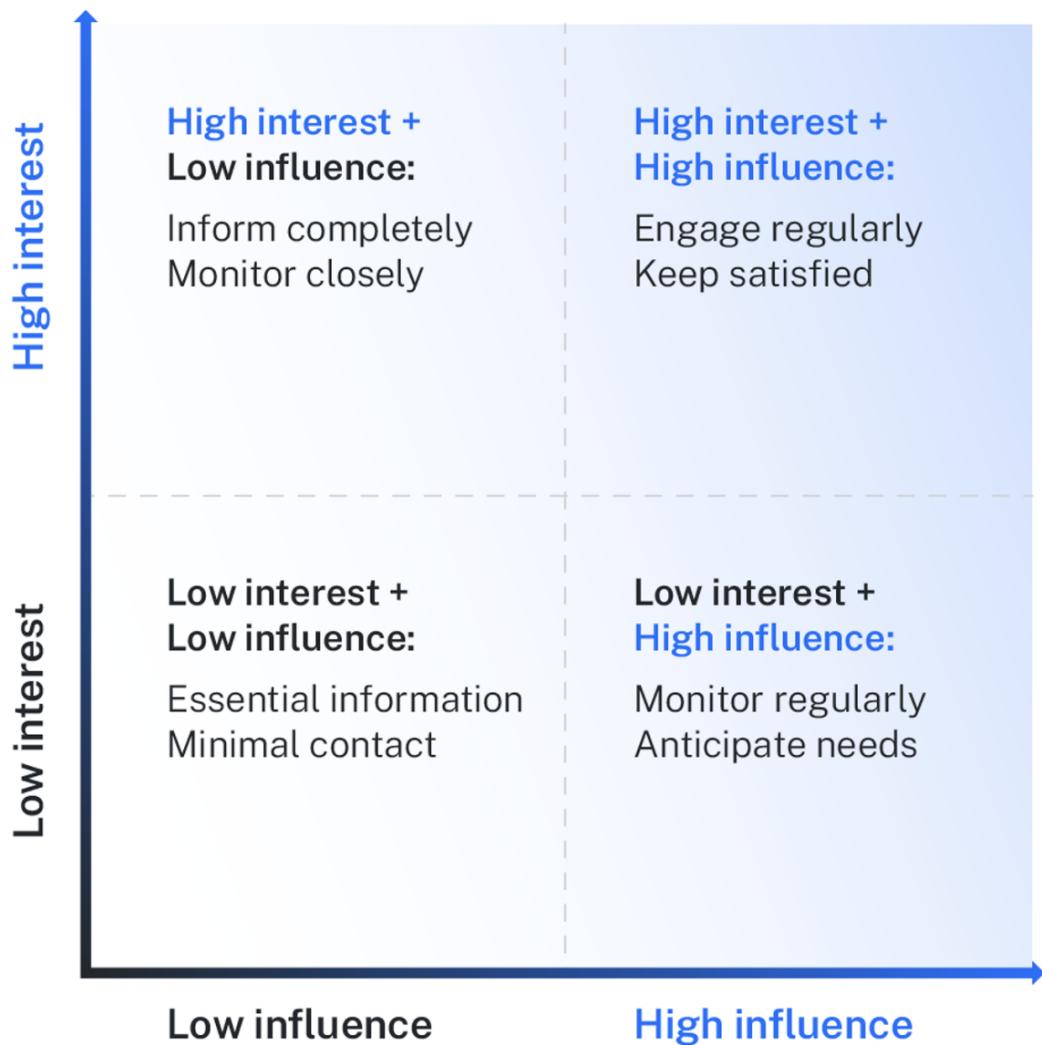
Expand the boxes below to access the interest and influence tool, step by step instructions and a completed example.

Steps to analyse stakeholder interest and influence

Take these steps to determine stakeholder interest and influence:

1. **Identify each stakeholder:** Consider both internal and external stakeholders and whether they are core, direct and indirect.
 - **Core stakeholders:** These are essential for the evaluation, delivery or viability of the product or service.
 - **Direct stakeholders:** These are individuals or bodies who interact directly with the product or service and often have a visible role. They may be people or communities who use the service or are impacted by it.
 - **Indirect stakeholders:** These are people or bodies who are otherwise affected by the service. Indirect stakeholders are people whose interest may be enhanced or threatened. They may be more difficult to identify and engage with, however they may have an important role, either as supporters or, in putting up barriers to proposed courses of action.
2. **Request access** from the TBI advisory team to the [stakeholder influence and interest matrix tool via MIRO ↗](#).
3. **Plot their level of interest and influence:** Add each stakeholder name to a quadrant of the stakeholder influence and interest matrix shown below.
4. **Identify engagement activities** that will meet stakeholder needs, guided by each quadrant –e.g. ‘inform completely’ or ‘minimal contact’.

As a guide, refer to the stakeholder influence and interest tool example below.



3. Plan

Develop plans for how to communicate with, consult and involve stakeholders based on their engagement needs.

Expand the boxes below to access the governance group allocation tool, step by step instructions and a completed example.

[Expand all](#)

[Collapse all](#)

Step 1. Allocate stakeholders to governance groups

Allocate stakeholders to governance groups using the outputs from the RACI and stakeholder interest and influence activities.

- **Identify the project stakeholder groups needed for the project:** e.g core buying team, subject-matter experts, governance, scoping workshops, document reviews, approvals, evaluation and testing.
- **Determine the key responsibilities of each group.**

- Determine which roles are needed for each group.
- Determine how, and how often, the groups will be engaged.

Request access from the TBI advisory team to a [governance group allocation tool via MIRO ↗](#).

Stakeholder group	Scope	Names
Steering Committee (SteerCo)	Inclusion within the Steering Committee (SteerCo). Steerco is designed to endorse the direction of the project but also for enablement (i.e. get resources and unblock).	
Working group	Inclusion within key milestone events.	
Core buying team	Manage issues, escalations and dependencies e.g. resourcing. Endorse decisions for Sponsor approval.	
Working subject-matter expert (SME) for core team	Commitment is generally ad hoc, provided in response to the team's progress and needs, and through attendance at workshops or interviews.	
Project SME	Commitment to half day per week – generally provided responding to the progress and needs of the team and attending workshops/interviews.	
End users	Will be included in interviews and workshops to identify validate, review and brief the challenge.	
Evaluation Committee	Will be included in valuation criteria development, proposal evaluation and consensus.	
Approvers	Provide innovation buying advisory and guidance.	

Step 2. Define project key activities and responsibilities

Stakeholder management is a key aspect of project management planning methodologies. It's important to identify the key buying project activities and detailed tasks so these can be effectively allocated and monitored.

List the core project activities for an innovation procurement. For each activity noted in the project activities and responsibilities tool, identify the resource profile required and assign to a stakeholder identified in your completed RACI.

As a guide, refer to the governance core responsibilities example below, which provides a starting point for the range of activities that will require resourcing.

Innovation specific procurement activity	Task
Risk identification and management	<ul style="list-style-type: none"> • Support decision-making through a risk lens. • Triage risk domains and identify experts to help navigate each relevant domain. • Identify risks, innovation benefits and controls to build confidence while enabling innovation.
Buying pathway	<ul style="list-style-type: none"> • Identify buying pathways that can meet business unit objectives and associated tasks and timing. • Highlight benefits, risks and resourcing implications of pathway options.
Procurement compliance and process details support	<ul style="list-style-type: none"> • Work collaboratively with buying team to share knowledge and optimise processes. • Advise on adjustments to standard procurement practices and templates to accommodate innovation while meeting policy requirements (decision accountability rests with procurement).
Agile team mobilisation	<ul style="list-style-type: none"> • Facilitate (or supplement/review) stakeholder identification & RACI. • Run mobilisation using Test and Buy Innovation workshops structures and templates. • Provide advice/resources to support Government Technology Platforms (GTP) running this, ensuring relevant outcomes of mobilisation are achieved.
Problem-shaping and statement of requirements	<ul style="list-style-type: none"> • Provide Test and Buy Innovation templates, methodologies and support for their use. • Facilitate problem shaping workshops and create outputs to capture innovation scope in a format that will translate into a statement of requirements and evaluation criteria. • Help reflect innovation scope in the Statement of Requirements (SoR).

Innovation specific procurement activity	Task
Agile procurement project management including procurement iteration checkpoints	<ul style="list-style-type: none"> • Develop an iteration plan that aligns with the multi-stage buying pathway and agile testing stages. • Attend stand-ups to stay abreast of project developments and emerging challenges, OR • Attend periodically for updates, OR • Be available for ad-hoc advice and document reviews.
Documentation to support approval of procurement strategy	<ul style="list-style-type: none"> • Develop outcome-focused evaluation criteria that will support innovation, and make suggestions for tailoring to project. • Create supplier-friendly tender guidelines which can serve as a single source of truth for all procurement documentation, starting with a template and pro-forma text. • Migrate of all pathway, iteration, requirements and evaluation information into a procurement strategy. • Contribute to a risk assessment.
Documentation to support approval of sourcing documentation & sourcing activities	<ul style="list-style-type: none"> • Migrate all information from the procurement strategy into market-facing documentation and engagement, building on existing templates and examples from innovation projects. • Define mandatory criteria and questions for suppliers that align with the procurement iteration plan. • Refine evaluation criteria, artefacts, methods and activities to analyse uncertain solutions within those criteria as part of an evaluation plan.
Supplier tender briefing	<ul style="list-style-type: none"> • Support tender briefing session agenda, content, engagement planning and event execution with suppliers.
Design of subsequent stages including iteration	<ul style="list-style-type: none"> • Capture insights from proposals (or results of any earlier stage). • Refine stage objectives and success criteria based on insights.

Innovation specific procurement activity	Task
	<ul style="list-style-type: none"> • Design pilot, create test plan, etc. • Develop any governance decisions resulting from insights. • Support supplier-facing documentation including SoRs and evaluation criteria.

Step 3. Name a resource for each activity

Using the RACI outputs, identify the name of the resource and define the level of commitment expected for each core project activity.

The governance core responsibilities example below is illustrative only, and while it provides a starting point for the range of activities that require resourcing, it is not complete. Buying teams can also access a [governance core responsibilities example via MIRO ↗](#).

Role name	Focus	Scope	Responsibilities	Name
Sponsor	Strategic outcomes, Funding	Organisation wide impact	<ul style="list-style-type: none"> • Set strategic direction • Be accountable for Innovation program outcomes and monitor progress. • Secure funding. • Champion with executives. • Make/sign-off high-impact and strategic decisions. 	
Business Owner	Creating value for partners	Ecosystem (agencies, regulators, industry)	<ul style="list-style-type: none"> • Communicate objectives and outcomes with ecosystem partners. • Manage stakeholders external to the program and balance needs across them. • Chair/participate in relevant internal and external forums. 	
Tender program lead	Program delivery	Program	<ul style="list-style-type: none"> • Manage issues, escalations and dependencies e.g. resourcing. • Endorse decisions for Sponsor approval. • Innovation program governance. 	
Project management office (PMO)	Program delivery	Tender program	<ul style="list-style-type: none"> • PMO Pitches, Evaluation process delivery support. 	

Role name	Focus	Scope	Responsibilities	Name
Innovation project lead	Program design and activities	Innovation program	<ul style="list-style-type: none"> • Own vision and strategy and roadmap. • Be responsible for program outcomes. • Lead project deliverables – activities, milestones, timelines, status reporting. • Recommend decisions for sponsor approval. 	
Core team	Project deliverables	Innovation program	<ul style="list-style-type: none"> • Develop deliverables and carry out activities in support of program outcomes. 	
Innovation and agile SME	Innovation Program	Develop challenge statements and user stories through service design, innovation and evaluation processes	<ul style="list-style-type: none"> • Design and facilitate discovery interviews and workshops with key user groups. • Synthesise findings into challenge statements and requirements. • Contribute to pathway options, testing and iteration plan. • Contribute to evaluation criteria, plan and assessment. • Design and facilitate briefing materials, events and co-design workshops with suppliers. 	

Role name	Focus	Scope	Responsibilities	Name
Innovation procurement and policy SME	Innovation program	Provide innovation buying advisory and guidance	<ul style="list-style-type: none"> • Provide innovation procurement policy compliance advice. • Contribute to pathway options, testing and iteration plan. • Assist with phrasing and review of documentation. • Review sourcing documents. • Contribute to evaluation criteria, plan and assessment. 	
Procurement sourcing	Innovation program	Provide procurement sourcing advice	<ul style="list-style-type: none"> • Comply with procurement policy. • Comply with Enforceable Procurement Policies (EPP). • Review sourcing documents. • Contribute to evaluation criteria. • Support Evaluation Committee (EC). • Ensure probity. 	
Legal	Innovation program	Legal SME	<ul style="list-style-type: none"> • Provide legal advice. • Provide contracting advice . • Review sourcing documents. 	

4. Engage

The buying team should take steps to ensure clear, consistent and timely communication with stakeholders.

Define core buying project team RACI matrix

A RACI matrix helps break down what activities and tasks the core buying team will deliver, and who is responsible, accountable consulted or informed for each task.

Depending on the complexity of the project, there are two different ways to approach a RACI matrix:

[Expand all](#)

[Collapse all](#)

Basic RACI for simple project with small core team

The columns in the example below represent the project team roles and the rows represent each task. This table is an indicative starting point. Buying teams should work together to tailor a RACI for their project.

Task	Project manager	Procurement advisor	Buyer	Service designer	ICT specialist
Requirements	A	C	R	R	C
Evaluation criteria	A	R	A	C	C
Evaluation plan	R	A	C	C	C
Probitiy plan	R	R	C	C	I
Evaluation teams	R	C	A	C	C
Evaluation Committee	A	C	C	C	C
Evaluation governance model	A	C	C	C	C
Supplier briefings	R	C	A	C	C
Pitches	R	C	A	C	C
Evaluation consensus	A	R	C	C	C
Evaluation outcomes	R	R	A	C	C
Evaluation report	R	A	C	C	C
Plan management	R	R	C	C	C
Clarification management	R	A	R	C	C
Probitiy/Col	R	A	R	C	C

Advanced RACI for a more complex buying project

This RACI is suitable when there are many activities, tasks and stakeholders to manage. The columns in the example below represent who should be **Responsible**, **Accountable**, **Consulted** and **Informed** and the rows represents each activity. More granular tasks are listed beside each activity.

Activity	Task	Responsible	Accountable	Cousulted	Informed
Challenge statement	Requirements	SM	PL	TB	
	Evaluation criteria	TB	SM		
Governance	Evaluation plan	PL	SM	TB	
	Probity plan	PA	PM	TB	
	Evaluation Teams	TB	PL		
	Evaluation Committee	TB	AS		
	Evaluation governance model	TB	PL		
Event management	Agency showcase/ Supplier briefing	TB	PL		
	Pitches	TB	AS		

Hold regular core buying team stand-ups

Adapt the RACI matrix for stand ups using a stand-ups tool in the dropdown boxes below to focus the team on their key activities and tasks for each day or week.

Stand-up

At the regular stand-up:

- Each member should update the team on progress and blockers.
- The stand-up should be used to communicate stakeholder engagement tasks.
- Stakeholders required for activities should be engaged as early as possible.
- When core team members or key stakeholders change, hand-offs and briefings should be conducted to ensure the team maintains ways of working, understanding and momentum.

As a guide, refer to the stand-up example below, which provides a shortened set of activities and tasks. Buying teams can access a [stand-up example via Miro ↗](#).

Stand-up

Activity and task	Who	Status	Comment, next step, blocker
RFI document <ul style="list-style-type: none"> Summary brief for council 	IL		
Evaluation Plan <ul style="list-style-type: none"> Any amendments review will be feedback to Procurement and TBI on evaluation scoring definition /weighting. 	AS & PM		Finalised eval scoring and address evaluation team briefing prep
Evaluation Team confirmation and Briefing Preparation <ul style="list-style-type: none"> Follow up Col confirmation Eval team briefing placeholder 	AS & AM		Col form all sent, pending return briefing scheduled
Eval Team briefing pack education preparation <ul style="list-style-type: none"> TBI/Procurement 	AM		Finalised eval scoring and address evaluation team briefing prep

Resources

[Mobilisation stakeholder toolkit ↗](#)

[RACI model ↗](#)

[Stakeholder interest and influence matrix ↗](#)

[Governance allocation tool ↗](#)

[Innovation specific activity table ↗](#)

[Core project responsibilities ↗](#)

[Basic RACI matrix ↗](#)

[Advanced RACI matrix ↗](#)

[Stand-up tool ↗](#)

Next steps

[Engage the right expert for each step ↗](#)

Explore Test and Buy Innovation

- Stakeholder management framework[↗](#)
- Engage the right expert for each step[↗](#)
- Mobilise your buying team[↗](#)
- Agile procurement framework[↗](#)
- Agile principles and benefits[↗](#)
- Agile buying for the public sector[↗](#)
- The innovation buying journey[↗](#)
- Learn about Test and Buy Innovation Programme[↗](#)
- Get help from Test and Buy Innovation advisory[↗](#)

Agile buying for the public sector

Learn how agile procurement can enable innovation outcomes, support governance and fulfil public sector obligations.

Agile procurement has the following features that help attract innovation and manage the uncertainty that comes with innovation:

- an outcomes-based, user-focused approach
- uncovering new information progressively and adapting the procurement process to it
- de-risking investment by breaking risks into more manageable chunks and taking smart risks
- a cross-functional team of experts designing and implementing together.

When used in the NSW Government, agile procurement also needs governance structures and processes that are designed to meet obligations around fairness, transparency and value for money.

Standard procurement governance structures and processes are geared towards known solutions and rely on certainty at a single gate; the approval to approach the market.

In agile procurement, governance structures need to accommodate learning and adapting while meeting NSW Government obligations. This creates multiple decision gates, which align with each stage of shortlisting and/or testing.

Figure 1 shows the agile public procurement framework. Starting with a challenge statement, it takes suppliers and potential solutions through a funnel in multiple stages of shortlisting.

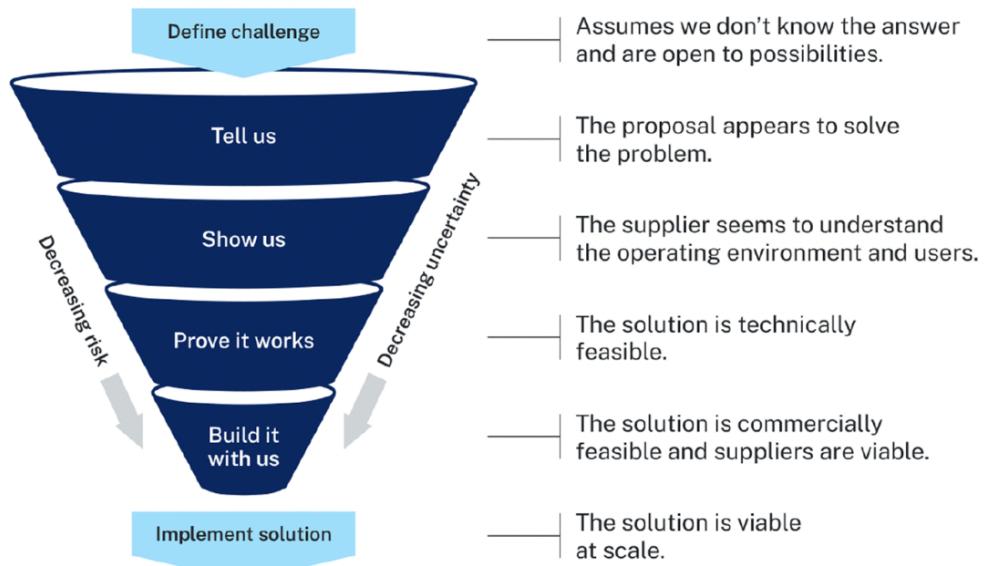


Figure 1: Agile public procurement is a core framework that supports the iterative test and buy innovation approach.

The stages that make up the agile procurement framework are conceptual and flexible, with multiple engagement and testing methods available for each one. Each stage has a defined outcome that supports progressively building confidence before a final investment decision, by gradually decreasing risk and uncertainty. The stages and their associated levels of confidence are:

- **Define the challenge** - Assumes we don't know the answer and are open to possibilities.
- **Tell us** - The proposal appears to solve the problem.
- **Show us** - The supplier seems to understand the operating environment and users.
- **Prove it works** - The solution is technically feasible.
- **Build it with us** - The solution is commercially feasible and suppliers are viable.
- **Implement solution** - The solution is viable at scale.

A note on agile procurement

Information and course materials relating to agile procurement is often based on private sector experience. Despite targeting procurement teams, these guides or courses may not support compliance with the NSW Government policies or obligations around fairness, transparency and value for money.

Buying teams trying to apply these materials to engage suppliers in trials or co-design through standard procurement may encounter barriers during planning or when attempting to implement at scale.

This page describes how agile procurement can be implemented in the public sector in a way that meets public sector obligations. Buying teams can follow the links to dedicated pages to access practical, step-by-step guidance and tools.

Apply the five agile public procurement components

Expand the headings below to learn more about applying the five agile public procurement components mentioned above:

[Expand all](#)

[Collapse all](#)

Outcomes-based

An [outcome-focused approach ↗](#) means that the final technical solution is not known, and the buyer is open to a range of possible solutions.

The preferred method for buying innovation aligns with the Human-Centred Design (HCD) double diamond stages of discover, define, develop and deliver, illustrated in Figure 2 below. Learn how the double diamond supports [an agile approach to service delivery ↗](#) in Digital NSW.

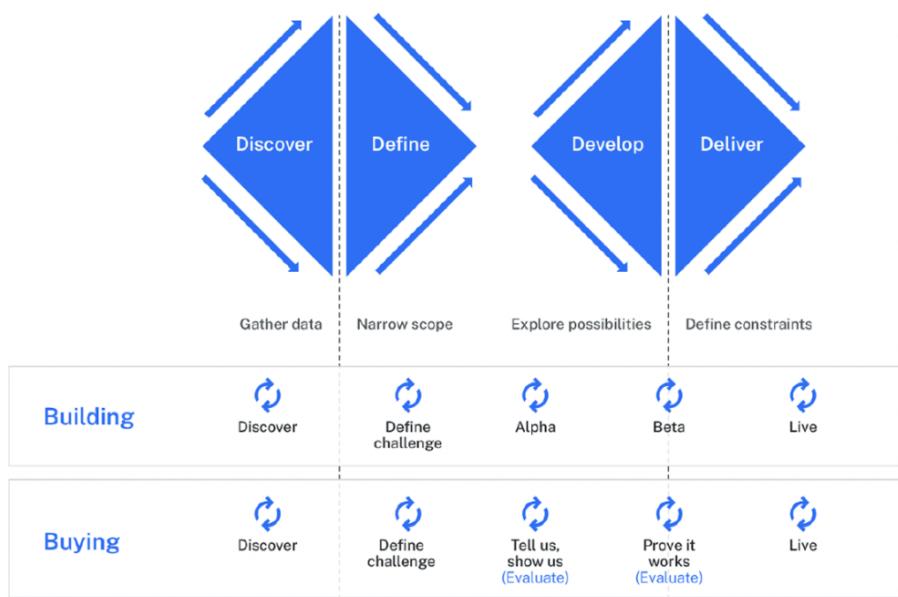


Figure 2: illustrates the preferred method for buying innovation which resembles the Human-Centred Design (HCD) double diamond stages of discover, define, develop and deliver.

Even though the activities in ICT project delivery differ from those in ICT innovation buying projects, the phases of agile delivery translate directly to procurement steps in the [Test and Buy Innovation \(TBI\) buying journey](#).

- The **Discovery** and **Define** stages equate to the TBI scope step - [problem shaping](#) and [defining the challenge](#). The buying team starts with user needs and gathers a wide range of data to understand the broader problem space before narrowing down to define a single challenge and desired outcome.
- The Alpha & Beta **Develop** stages equate to multiple TBI shortlisting and testing stages in a multi-stage procurement. The buying team takes the challenge statement to the market, asking for solution proposals and being open to many possibilities. They take promising solutions through the Show us, Prove it works and Built it with us stages, using the specific engagement methods that make up their unique [buying pathway](#).
- The **Deliver** stage equates to implementation of the end solution. It only proceeds once a buying team has progressively tested, evaluated and shortlisted solutions and suppliers to find the best fit and best value to implement at scale.

Uncovering new information

Each unique buying pathway includes one or more testing stages to increase the buying team's knowledge of potential solutions and decrease the risk of the final investment decision. Each stage has deliverables and requirements that align with the stage objective. Buying teams request information or evidence from suppliers about how they can meet the requirements of the stage.

Buying teams can ask suppliers for just the level of detail or proof needed to achieve the aim of that stage. This approach avoids burdening suppliers with unnecessary documentation at the first stage. It asks a smaller number of suppliers for detailed information.

The staged approach shown in Figure 3 below also benefits buying teams. They can focus on assessing detailed and technical responses from a smaller and more relevant group of suppliers.

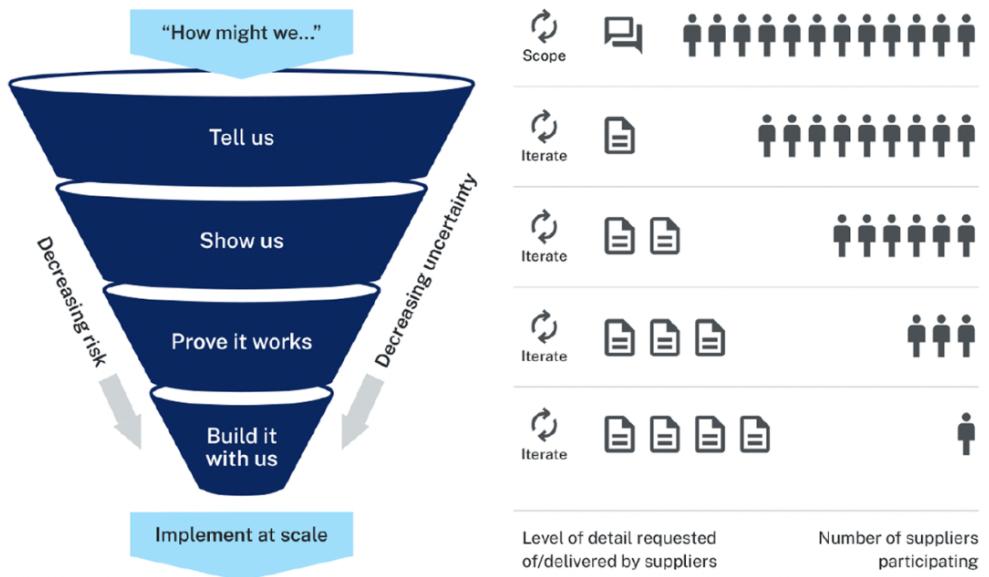


Figure 3: illustrates a staged approach to progressively requesting an increasing level of detail from a smaller and more relevant group of suppliers to avoid burdening them with unnecessary documentation at the first stage.

De-risking investment

Developing a healthy risk appetite will help buying teams uncover innovation and achieve project objectives. This involves breaking the big risk of investing in an unknown solution and breaking it down into smaller risks through probity-rich testing and engagement. It means taking smart, well-managed risks in a probity-rich way that **de-risks the final investment**.

In practice, this means taking on practices that are perceived as risky but actively avoided. Because these practices bring benefits or help prevent much bigger risks, innovation procurement guidance provides as much support as possible to adopt them. Examples include:

- **Compensating suppliers for a test stage:** Even though this impacts project budgets, it also improves the appetite of diverse suppliers to participate. It is a more effective way to confirm which suppliers or solutions are suitable (or even confirm that there is no suitable solution or supplier) compared with making an investment decision based on documentation alone.
- **Asking for less technical information from suppliers at the initial market approach:** This leaves the buying team and their supporting ICT team with considerable uncertainty, but can attract more proposals for a wider range of suppliers. It can equip buying teams with insights into what details to evaluate more carefully at later stages for any unusual solutions.
- **Working more closely with suppliers:** This has the potential for suppliers to perceive unfairness or bias, especially where siloed interactions are involved. Conversely, it has the

benefit of testing out suppliers' ways of working, understanding of users and the best possible fit of proposed solutions.

In a multi-stage procurement, proof or testing stages need much smaller investments of time, resources and money compared to implementation at scale. Each stage represents a small financial risk that uncovers more information to reduce risk in the final investment.

Similarly, more interaction with suppliers through standard engagement methods like tender briefings, or even less traditional methods like pitch-fests and co-design workshops, can greatly improve supplier understanding of the problem and the suitability of their proposal. It can also improve the buying team's understanding of potential solutions and the buy-in of any other affected stakeholders involved in engagements. More interactive engagement methods create probity risks. However, those risks are manageable when teams are well-supported.

Innovation procurement guidance supports buying teams to take smart risks. This means helping teams to understand which risks can bring innovation or outcome benefits. It also means connecting them to measures that help manage the risks they do take.

Cross-functional, collaborative team

With so much uncertainty involved in buying innovation, agile procurement needs subject-matter experts to go beyond just contributing to a section of a document. Buying teams should engage subject-matter experts when mapping out the buying pathway and designing each testing stage. This ensures the right technical information is received and evaluated at each procurement stage.

At the end of each stage, after evaluating new information, buying teams can revisit the scope of the stage that follows. They should re-engage subject-matter experts to refine the information needs and evaluation approach.

Buying teams and subject-matter experts work effectively when they are able to hear and build on each others' perspectives. Agile procurement involves buying teams including subject-matter experts in cross-functional, collaborative ways of working. Building this level of collaboration into an iterative model ensures that risks are uncovered, understood and mitigated in a timely and effective manner. It also helps all stakeholders continually improve their capability.

Guidance for innovation procurement recommends [identifying stakeholders](#) and [mobilising a cross-functional, collaborative team](#) before locking in the scope of the procurement or the procurement strategy.

Governance and procurement processes

Existing governance structures and procurement processes in the public sector are designed to achieve value for money, maintain transparency and fairness and codify these obligations into documented, defensible processes. Agile procurement can feel difficult because most templates, guides and practices aren't designed with it in mind.

In the context of innovation, agile procurement can drive improved governance, value and probity. Procurements with multiple stages create an opportunity for stage 'gates'. These allow buying teams to assess new information, adapt the procurement process, document decisions and communicate with stakeholders.

With a cross-functional, collaborative team of experts designing each stage, the buying team should be able to anticipate where new information may be uncovered during stages and what changes might happen at each gate. Accordingly, the team can build an informed, robust [change management approach ↗](#) to give decision-makers confidence in the procurement process. They can then incorporate it into the [buying strategy ↗](#).

These gates, decision points and change management actions are also appropriate points to consider the [probity implications ↗](#) of any new insights or adaptations. These might include:

- managing smaller changes through proactive communication with suppliers
- signalling predictable changes in advance
- assessing the impact of a change in deliverables against the scope of the initial market approach.

Where a change in deliverables may force a traditional procurement process to be restarted or cancelled, the outcomes-based approach to scoping makes agile procurement more resilient to changes in deliverables that still achieve the original outcome.

Agile procurement resources for the public sector

[Agile principles and benefits ↗](#)

Explore Test and Buy Innovation

- Stakeholder management [↗](#)
- Mobilise your buying team [↗](#)
- Agile procurement framework [↗](#)
- Agile buying for the public sector [↗](#)
- The innovation buying journey [↗](#)

- Learn about Test and Buy Innovation Program [east ↗](#)
- Get help from Test and Buy Innovation advisory [east ↗](#)

Risk management when buying innovation

Balance risk and reward to achieve innovation outcomes while meeting procurement requirements.



Risk is defined as ‘the effect of uncertainty on objectives’ (ISO 31000). With innovation procurement, everything about the end solution is uncertain. It is only through embracing uncertainty that buying teams will find new ideas and turn them into value.

With so much uncertainty, buying teams need to prioritise risk management to protect value. However, the risks associated with uncertainty can feel overwhelming and drive risk-aversion, becoming a barrier to innovation.

To build the risk appetite needed for innovation, buying teams should understand which risks can bring the most benefits and how to manage those risks carefully.

Carefully managing risks that help achieve innovation outcomes takes more effort than buying a known solution, where many risks can be avoided.□

Buying teams can use the [Innovation Eligibility checklist](#) to help decide whether the effort or cost is justified to achieve the benefits of innovation procurement.

This guidance helps buying teams identify and manage risks to protect value in buying projects. It provides key concepts, processes, worked examples and resources to support buying teams to take managed risks within the context of agency risk frameworks. It also helps agency risk management and procurement teams refine their risk management frameworks, processes and resources to support innovation procurement.

When to manage innovation risk

Risk management should start early in the Discover phase of a multi-stage procurement process. Understanding risks helps with each step in the Discover phase. Each step may in turn refine the buying team's understanding of risks and controls.

Risk management continues throughout the buying journey, with a focus that evolves at each step.

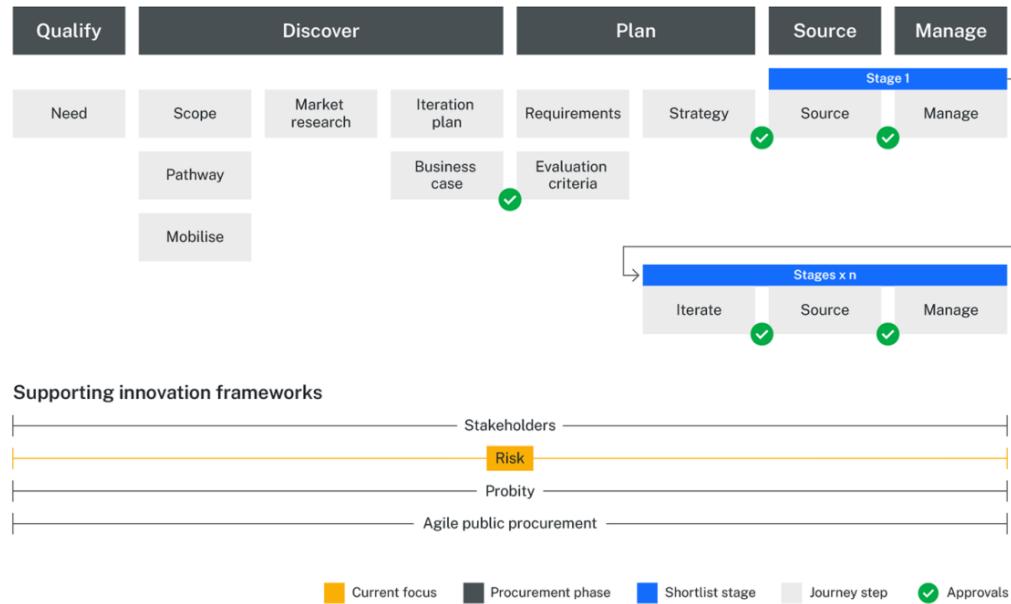


Figure 1: The innovation risk framework supports activities in all steps of the innovation buying journey.

At the start of a procurement journey, some risks are apparent and can be easily identified during scoping. Other more technical risk categories such as security and solution integration are more likely to be identified later in the Discover phase. This could be through market research or even after proposals are received.

The buying team's understanding of solution and supplier risks will improve with each stage. New risks and controls should be identified and managed with each stage and some might even drive changes in the procurement strategy, pathway or iteration plan.

Innovation-specific risk thinking in each phase

Expand the boxes below to learn about innovation-specific risk thinking in each phase.

[Expand all](#)

[Collapse all](#)

Qualify

Align need with strategy step:

- Ensure the project team and approvers have an appetite for taking carefully managed risks to achieve innovation outcomes.
- Ensure all stakeholders understand the iterative nature of risk management for innovation procurement and their role in it throughout the buying journey.
- Understand the risk of the buying team [making assumptions about the solution](#).

Discover

- **Pathway step** – Decisions around testing and buying pathways not only carry different risks, but can also mitigate other risks.
- **Mobilise step** – Ensure all stakeholders contribute to the identification of risk and controls and they all understand their roles.
- **Market research step** – Focus on the risk of inadequate market research and use guidance around sources of market information to inform buying strategy decisions.
- **Iteration plan step** – Incorporate risk management activities into each stage of a multi-stage process to ensure new risks are identified and managed at each stage, and risk experts know their roles.
- **Business case step** – Give approvers confidence about known risks, management strategies and the iterative process to continually manage risks and improve confidence.

Plan

- **Requirements step** – Determine which requirements should be mandated upfront, and which requirements should be signalled for later stages, to stay ahead of critical risks.
- **Evaluation criteria step** – Set a level of detail and weighting for each stage, for each criterion, in a way that reflects the risk focus for each stage and supports an increasing focus on technical risk in later stages.
- **Buying strategy step** – Document how the proposed market approach manages known risks and how it will support additional risks to be uncovered.

- **Iterate step** – After the initial market approach and at the start of each subsequent stage, look at what was learned in the previous stage and adjust risk controls to manage any new or evolving risks.

Source

- **Tender documents step** – Ensure key risk domain experts collaborate with the buying team to ensure the terms and conditions of tender participation, as well as key terms in any proposed contracts, mitigate known risks and allow flexibility to adapt to emerging risks.
- **Evaluation plan step** – Refine evaluation processes within the bounds of the evaluation criteria to ensure evaluators are incorporating relevant risks and mitigants for the stage.

Manage

- **Contract management activities** – Monitor risks as part of usual activities to manage contracts, deliverables and supplier relationships.
- **Acceptance testing** – As part of evaluating the deliverables for the stage, capture any insights or lessons learned that might change how risks are managed, and reflect changes to risks in the Iterate step for the next stage.

Who to involve

Risk management is a collaborative exercise. The buyer should engage experts in all the risk domains that apply (or might apply) to a buying project. Ideally, these experts work through risk identification and assessment together, since there may be shared risks or shared controls.

Everyone in a buying team should understand their risk management responsibilities, including [how to build risk appetite when buying innovation](#).

Expand the boxes below to read about the types of risk experts and how they can contribute to risk management as part of an innovation buying project.

[Expand all](#)

[Collapse all](#)

Legal

The NSW Government buys digital solutions by entering into agreements for the provision of goods and services. These are legal contracts, in which each clause is designed to treat a particular risk, usually as a means of last resort. Tender documents also include legal terms and conditions.

Compared to procurement of known solutions, innovation procurement requires more attention to contractual positions on confidentiality and ownership of Intellectual Property (IP). These may vary between projects depending on the solution maturity and the level of commercialisation involved.

Engaging with a legal representative early ensures legal risks and controls are captured well in advance of tenders and contracts being issued. Planning ahead for these considerations helps when the end solution is unknown, as decisions may need to be approached in stages. The right [change governance structures ↗](#) will support staged decisions.

Cyber security

When the end solution is uncertain, it can be hard to know what cyber security risks could emerge at the start of the project. Buying teams could be wasting respondents' and evaluators' time if they request detailed cyber security information at the initial market approach.

Cyber security advisers can draw on their knowledge of best practices across the agency, NSW government and wider industry landscape to plan ahead for cyber security risks. This helps set milestones where appropriate risks and controls can be identified as more information becomes available. It is important they are involved in the design of testing stages right through to evaluation, iteration and implementation at scale.

Procurement

Procurement teams should be willing to advise early in the process on possible risks and mitigants with the selected procurement pathway. Ideally some level of consultation and advice happens in the Discovery phase as part of the buying pathway step, rather than the Plan phase where some important decisions would already have been made. The types of risks will depend on the engagement and testing methods that make up the pathway. These can include pitch events, Proof of Concept (PoCs) or trials.

They may draw on a mix of professional experience and samples or templates to support the treatment of risks. These can help both the design of procurement stages and detailed action planning and execution.

ICT and digital strategy

Buyers should consult with central ICT and digital teams in their agency or department early in the risk management process to seek technical expertise on risks and mitigants. This helps ensure solutions are aligned to strategy and future-proof.

Specific technical risks can become more apparent as solutions emerge, meaning ICT advisers may need to advise on the design of testing stages. They may also be required for evaluation and/or implementation activities throughout the Discover, Plan and Source phases.

Risk, probity or governance

Innovation buying projects with multiple stages can be complex, particularly for agencies that don't often support these kinds of projects. Risk and governance expertise can help design a transparent, fair and well-documented procurement process that stands up to scrutiny.

Suppliers have a different experience for innovation procurement compared to a more traditional procurement. Therefore buying teams should manage supplier expectations carefully and emphasise fairness and transparency even more than usual.

For particularly high risk or high value projects, buyers might consider including an independent risk or probity advisor for the life of the project. Checking early on the agency's view about the need for external oversight will ensure any external risk advisor is budgeted for. This will also enable the advisor's advice to feed into the strategy and be revisited at checkpoints along the way.

Getting started

[Risk appetite when buying innovation](#)

[Apply your agency's risk framework](#)

[Worked risk examples](#)

Risk management resources to support buying innovation

[Risk appetite when buying innovation](#)

Understand how to take smart risks and manage them carefully to drive innovation outcomes, through five key risk concepts.

east

[Apply your agency's risk framework](#)

Augment existing risk management frameworks by embedding an innovation risk mindset into each risk management step.

east

[Worked risk examples](#)

Understand how risks are managed through two fictional scenarios.

east

Explore Test and Buy Innovation

- Stakeholder managementeast
- Engage the right expert for each stepeast
- Agile procurement frameworkeast
- Agile buying for the public sectoreast
- Get ahead of probity and riskeast
- Probitiy when buying innovationeast
- Amplified probity riskeast
- Probitiy risk treatmentseast

- Risk appetite when buying innovationeast
- Apply your agency's risk frameworkeast
- Worked risk exampleseast
- Policy support for buying innovationeast
- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programmeast ↗
- Get help from Test and Buy Innovation advisoryeast ↗

Buy, build or borrow?

Answer the key questions and consider the advantages and disadvantages of buying, building or borrowing an innovative solution.

Making the decision about whether to buy or build can be challenging for business owners and prospective buyers.

Some business owners are convinced their need is so new or unique that they assume that relevant vendor solutions don't exist. When business owners face policy barriers or are skeptical that complex business processes could be simplified, building a custom solution can seem like the best or only option.

For ICT leaders, the total cost of ownership, return on investment or business benefits are important considerations. Business owners may not be aware of hidden or ongoing costs or other non-cost factors.

Chief Information Officers (CIOs) and ICT strategists make carefully considered technology investment decisions that maximise utilisation, operational efficiency and life-span of strategic infrastructure. Their goal is to future-proof NSW Government and/or agency capability, reuse state digital assets and control shadow IT. That's why it's important for them to understand to what extent existing and planned solutions can be reused to meet emerging business needs.

'Buying', 'building' or a hybrid approach known as 'borrowing' are three distinct approaches to acquiring new technology solutions, once a new business need has been identified.

Buy, build or borrow?

'Buying' involves purchasing a pre-built solution from a vendor, while 'building' entails developing solutions in-house using internal resources. A third option, 'borrowing' or buy-to-build, involves a combination of both: initially buying a solution and then adapting it or building upon it internally.

This page provides guidance for navigating the 'buy, build or borrow' decision.

Considerations when making this decision

Every buyer has unique technology needs based on their sector, audience and the problem they're trying to solve. Sometimes a custom solution is best, but often buying an existing one is more practical in the long-term.

Ultimately, the goal is to find the best solution to meet the needs of the NSW Government and the community. This means achieving value for money while fostering innovation and collaboration between the government and the private sector.

Expand the boxes below to explore some key questions and considerations for making this decision.

[Expand all](#)

[Collapse all](#)

Strategic importance

How critical is the solution to NSW Government agency core activities?

If it's central to core activities, building might be more strategic:

- to maintain control
- for the NSW Government to gain a competitive advantage
- if the value the NSW Government can achieve can compete effectively with a bought solution.

Core resource skills

Do you have the necessary in-house expertise to develop and support the capability? If not, can you acquire it through hiring or training?

'Build' projects should directly contribute to core business.

- Many ICT leaders opt to build non-core technologies to maintain control. However, this often results in inefficiencies and stretched resources, detracting from higher-priority projects that drive real impact.
- Most ICT organisations are understaffed, with long release windows and project lifecycles. Stakeholders have to navigate complicated internal processes to successfully build non-core technologies in-house.
- Non-core projects take bandwidth and resources away from other higher priorities. This makes it hard to drive meaningful impact and showcase the ICT team's value.
- Core projects have greater strategic importance and are more heavily promoted. Being assigned to projects building non-core technologies can create division within the ICT team. This can lead to feelings of devaluation and potentially complicates hiring, promotions and team transitions. This distraction can hinder retention and growth.
- Motivated ICT professionals thrive when working on projects that deliver clear impact and value for the NSW Government, rather than on arbitrary side projects.

Technology already exists

Does this technology already exist and is it easy to buy?

- Sometimes the technology you need doesn't exist, making in-house development essential.
- Other times it exists but is offered by only a few niche vendors. This may not be the best option due to lack of competition. If there's a robust market with many competing tools, buying is often the smarter choice.
- If many relevant companies, agencies and jurisdictions are using existing tools successfully, it indicates the advantages of buying. These vendors have had a head start, dedicated resources and industry insights that your in-house team may lack. They benefit from diverse client feedback and can quickly iterate and optimise their products. Few in-house technologies can successfully compete with those advantages. That's why the biggest companies tend to buy instead of build when it comes to solutions that fall outside of their core competencies.
- If the technology already exists in the market, carefully consider whether [the problem has already been solved ↗](#) and the capability exists within the NSW Government. Some digital platforms, services or data used by more than one NSW Government agency are endorsed as core or common state digital assets. The [NSW State Digital Assets Reuse Policy ↗](#) applies to all NSW Government agencies and requires buyers to determine if current state digital assets provide the capabilities needed before procuring or building something new.

Temporary or future-proof solution?

Do you need a best-in-class solution or just something basic?

- While a third-party vendor often builds better technology than you can, not every solution needs to be the best. If you just need a temporary, good-enough solution, building in-house might make sense, even if superior products exist.
- If the standard solution won't meet your needs, you may need to build.
- If you need a best-in-class solution, building something that is more than just functional can be challenging and requires significant dedication and resources.
- Ask yourself: Can you build a better solution than a well-known supplier brand? If not, choosing to build might be taking on more than you can handle.

Total Cost of Ownership

Do you truly understand the Total Cost of Ownership (TCO)?

- Cost drives many companies to choose 'build' over 'buy'. This perception can overlook the long-term investment required to maintain and improve a custom solution.
- While organisations assess the initial costs of building a solution, they fail to consider the long-term expenses required to remain up to date compared with third-party vendor

solutions. Custom solutions demand continuous investment in code changes, knowledge updates and infrastructure costs. These are often underestimated.

- Organisations with in-house solutions often face inefficiencies, especially under rapid user growth. This leads to latency, technical debt and siloed data. Maintenance is ongoing and can compound over time, consuming valuable resources and limiting innovation.
- Technology constantly evolves. Changes cause upgrades and rapidly evolving mobile platforms like iOS or Android need continuous updates.
- Opportunity cost is a hidden issue associated with building non-core technologies in-house. Engineering time is precious. When engineers focus on building non-core solutions, they divert attention away from core products and services.
- Some suppliers invest heavily in Research and Development (R&D), so that they can deliver world-class services. It's worth thinking about how much you're investing in your core focus and the opportunity cost of focusing more resources on a non-core initiative. Non-core projects often lack the specialised knowledge needed to meet specific requirements, resulting in suboptimal tools.
- It takes very few engineers to eat away at funding from in-house vs buy. Two dedicated engineers are more expensive than most Software as a Service (SaaS) contracts, before accounting for the cost of running the tool.

Change management

How easily can the organisation adapt to the new solution, whether it's bought or built?

- Any tool, whether built internally or purchased from a third-party vendor has a learning curve for end users. Getting the most out of these tools is challenging if there aren't experts you can consult and processes in place to help new users get up to speed.
- Active stakeholder engagement and open collaboration with other agencies and departments before and during the buy or build process will yield more buy-in and support adoption targets.

Benefits and risks

Each approach has its own set of advantages and disadvantages. The best choice depends on the needs, desired outcomes and circumstances of the buyer. By carefully evaluating these factors, buying teams can make an informed decision about whether to buy, build or borrow ICT capabilities.

Expand the headings below to explore the benefits and risks of each solution acquisition option:

[Expand all](#)

[Collapse all](#)

Buy

The ‘buy’ approach focuses on acquiring pre-built solutions from external sources. Choose this option when the capability is not core to the business and you need a solution faster than the time it would take to build.

Benefits

- Faster access to established solutions.
- Avoiding distractions and inefficiencies when the solution doesn't align with core competencies or technology priorities.
- Dependant on the commercial model, likely to have lower upfront costs than the higher upfront investment associated with building, although there are ongoing costs like maintenance and licensing to be considered.

Risks to manage

- Limited control over customisation.
- Integration challenges with existing systems.
- Problems scaling in dynamic environments are discovered down the track with costly implications.
- Vendor lock-in with potential for higher long-term costs if the vendor commercial model is costly and the solution could be built as core NSW Government technology.
- An inability to tailor the user experience, resulting in limited adoption.
- An existing solution may only support a percentage of requirements, creating adoption challenges. Buying teams should map their requirements against existing solution capabilities to determine the percentage of business needs they address, then identify all potential impacts.
- Innovative solutions may need additional testing and careful evaluation before committing to a single supplier or a large-scale purchase.
- Buying teams should consider future needs and technology trends as part of their evaluation to future-proof investments in a rapidly evolving market.

Build

The ‘build’ approach focuses on developing internal expertise and infrastructure. Choose this option when the capability is critical for delivering high impact and value services, the NSW Government has the resources and skills required in-house and there is time to develop it internally.

Benefits

- Co-designing with stakeholders to tailor solutions with potential for providing high value services.
- Ability to fully customise to meet unique needs and strengthen NSW Government's value proposition.
- Greater control over the solution and potentially lower long-term costs if built efficiently.
- Targeted stakeholder problem solving, user acceptance and adoption.
- Development and retention of internal expertise when the solution aligns with more technology competencies.

Risks to manage

- In general, build projects have a high potential for delays and rework that can lead to cost overruns.
- Build projects tend to have long implementation timelines, driving high project resource costs.
- Building is resource-intensive and requires specialist skills for custom development. This means a high investment upfront in both hiring skilled resource, and in the time it takes to conduct pre-build design and rounds of post build testing activities.
- Building requires significant support skill and resourcing.
- Requires significant investment in training and infrastructure.

Borrow (buy-to-build)

This approach involves purchasing a base solution or components, then building on it internally. For example, an organisation might buy a pre-built software platform and then customise it or integrate it with other systems they've built.

The 'borrow' approach focuses on collaboration with external partners to access expertise or resources. Choose this option when the capability is needed for a specific project or time period and the NSW Government wants to leverage external expertise without a long-term commitment.

Benefits

- Balances the speed of buying with the customisation of building.
- Can leverage the strengths of both buy and build approaches.
- Allows for staged innovation.

Risks to manage

- Requires careful planning to avoid integration issues.
- When building on a commercial platform there is a high risk of further costs and operational impacts from ongoing base solution release updates. Regular software releases will require reconfiguration of base platform and updates to all integrations. Understand the frequency of scheduled releases and the likely level of change and build this into their business case and plan for operational systems management.
- Commercially licensed platforms require specialist engineering skills to build, integrate and scale custom solutions. Buying teams should understand the skills required, level of engineering effort required (e.g. APIs, configuration v customisation and coding), how easily resources can be trained or acquired (e.g. training certification programs), resource market availability and lead times for onboarding.
- Innovative commercial platforms that have not yet been widely adopted may rely on highly specialised skills. This can create a heavy reliance on external partners for resourcing, leading to vendor lock in. Resources from the vendor or those available in open market can be scarce, creating extended delays and challenges in maintaining consistent quality and control. Buying teams should understand the type and availability of skills required to maintain innovative or emerging technology platform solutions.

Next steps

[Conduct market research ↗](#)

[Scope for innovation ↗](#)

Explore Test and Buy Innovation

- [The innovation buying journey↗](#)
- [Stakeholder management↗](#)
- [Set up for success↗](#)
- [Risk of assuming the solution↗](#)
- [Get help from Test and Buy Innovation advisory↗](#)
- [Learn about Test and Buy Innovation Programme↗](#)
- [Align your need with strategy↗](#)

Write innovation challenge guidelines

Clearly present the most important tender information with plain English and visual references

Why use an Innovation Challenge Guidelines document?

Suppliers see many tender opportunities and need to make fast decisions about where to spend their limited time, what to read more closely and what to respond to

Tender documents use technical procurement concepts and legal language. [NSW Government accessibility standards](#) ↗ state that plain English is preferred in a guidelines document.

Sometimes, the information suppliers need to know quickly is not just difficult to understand, but is in different locations throughout tender documents.

Multi-stage innovation approaches are complex and are far less common than standard procurements. Therefore, it's even more important to concisely communicate the key information to the market.

An innovation challenge guideline document gives suppliers the most important information as quickly as possible using plain English and visual references.

Resources

A template for innovation challenge guidelines is available. Samples are also available from projects that have already used guidelines in their market approach. To access these, contact the Test and Buy Innovation advisory team on

InnovationProcurement@customerservice.nsw.gov.au ↗. The team will check some project details with you to ensure you're getting the right resources and advice.

Legal considerations

The innovation challenge guidelines present information that is also contained in tender documents, but in a format that is user-friendly and supports quick understanding. The tender document is a legal document and must be unambiguous and comprehensive. It therefore uses relatively complex structures and language. In comparison the guidelines document presents key information that helps suppliers (and stakeholders) understand whether to read further and where to look for more information.

To avoid any conflicts arising between the tender document and the guidelines, teams should ensure:

- Decision-makers and suppliers read the tender document in full and do not rely solely on the guidelines
- Neither the tender document nor the guidelines are open to interpretation
- It is clear to suppliers that, in the event of a conflict, the tender document has precedence over the guidelines

Key document inclusions

The innovation challenge guidelines document should include:

- a description of the business background and objectives
- an overview of the challenge and scope of the opportunity
- a visual graphic of the multi-stage procurement process and key milestones
- an overview of staged deliverables, evaluation criteria and timelines
- an overview of staged contracting arrangements
- an overview of stages and funding arrangements
- a description of the extent of the full opportunity
- a description of potential future opportunity scope if relevant
- a statement about level of commitment to future stages
- a description of the approach to Intellectual Property Rights (IPR)
- a statement that addresses Probit considerations.

Supporting stakeholder communication

Creating the document with a supplier audience in mind helps align the buying team's understanding of the procurement process and builds a fluency for the team to express complex concepts simply. It helps stakeholders and approvers contribute and feel confident that the procurement approach will stand up to scrutiny. Finally, it creates a single source of truth from which to build other, more detailed and technical, procurement documents.

Suppliers

Suppliers deserve to use their time efficiently and make informed decisions about participating in procurements. Use innovation challenge guidelines to help them decide quickly whether an opportunity is relevant to them and to give them assurance that it will be a fair and transparent process.

A guidelines document makes it easier and faster for suppliers to:

- understand the procurement scope, process, stages, deliverables, timelines and contracting arrangements
- see how they will be evaluated
- know the full extent of the opportunity beyond a trial, and potentially beyond the immediate scope
- know whether they will be compensated for effort, which stages are funded or where there might be funding uncertainty down-track.

Internal stakeholders

The guidelines document makes early consultation with key stakeholders easier. Using the draft of this more accessible and more visual document to brief stakeholders is a great way to socialise and refine the proposed buying approach. It creates an opportunity to identify concerns early, address them and reduce the risk of delays.

This collaborative approach can speed up:

- approvals for a buying strategy
- completion of tender documents
- legal review of contracting provisions and tender documents
- approver confidence that a complex process is being effectively managed and communicated.

Managing iterations

Expand the boxes to read about the expected changes for each stage of the process.

[Expand all](#)

[Collapse all](#)

Discover phase

During the Discovery phase, the innovation challenge guidelines document is helpful for capturing the buying team's hypothesis about buying pathways, shortlisting processes, scope, funding and more. It can be a collaboration tool and ensure ideas are clearly articulated and able to be understood by the whole team.

The document would remain in draft status throughout the Discovery phase, although the buying team may agree on document management protocols including access and version control.

Plan phase

During the Plan phase, as things change, the draft guidelines will need to be iterated by the buying team. Document management, including access and version control, should be agreed on early by the project buying team.

Source phase

During the initial Source phase, once the tender documents have been published, edits to the original guidelines may be required. Updated addendums should be published to [buy NSW](#) during the open tender period.

Scenarios where such edits may be required include:

- the published guideline version was not the approved version
- the published guideline document is inaccurate or contains a legal error
- the published guidelines document is not consistent with the published tender documents.

After the initial Source phase – staged testing

The innovation challenge guidelines document should be updated for subsequent testing stages. The document should include a summary of the tweaked requirements, evaluation criteria, timelines and more.

Explore Test and Buy Innovation

- [Get your procurement strategy approved](#)
- [Stakeholder management](#)
- [Buying pathway](#)
- [The innovation buying journey](#)
- [Learn about Test and Buy Innovation Program](#)
- [Get help from Test and Buy Innovation advisory](#)

Innovation buying frameworks

Apply stakeholder management, agile methodologies, probity and risk frameworks to deliver great innovation outcomes.



Frameworks provide rules, principles, models and guidelines that help structure and support project planning, decision-making and task execution. The right frameworks can protect outcomes and support buying teams to achieve their objectives.

Framework definition

A framework is a supporting structure that provides a foundation for building something else, such as a software solution or a business process. It offers reusable components, design patterns and a structure that helps teams to streamline their work. Think of it as a template or a set of rules and guidelines that helps ensure consistency and efficiency.

Why innovation buying projects need supporting frameworks

When buying teams face uncertainty – knowing the problem but not yet the solution – they can lean on existing frameworks for risk, probity and stakeholder management but need extra support to use them effectively. This page introduces the existing tools that can be adapted to navigate complexity without compromising governance. And where no framework currently exists – such as agile procurement for the public sector – we introduce one.

Buying teams can refer to this guidance to develop robust project management practices and ways of working that will help stay compliant while moving all stakeholders smoothly through a complex procurement. The frameworks' guidance helps buying teams take a systematic approach to:

- **Stakeholder management:** Identify, engage and manage the experts you need to support your project success.
- **Agile public procurement:** Apply agile methodologies to support iterative testing and learning to achieve great innovation buying outcomes.
- **Risk management:** Apply your agency's risk framework to an innovation buying project.
- **Probity:** Protect practices that foster innovation while navigating treatments for probity risk.

When to apply frameworks

Frameworks support the end-to-end innovation buying journey and should be considered and applied as early as possible. Buying teams that build all four supporting frameworks into their project management and work practices from the outset will experience a smoother buying journey and are more likely to achieve their objectives.

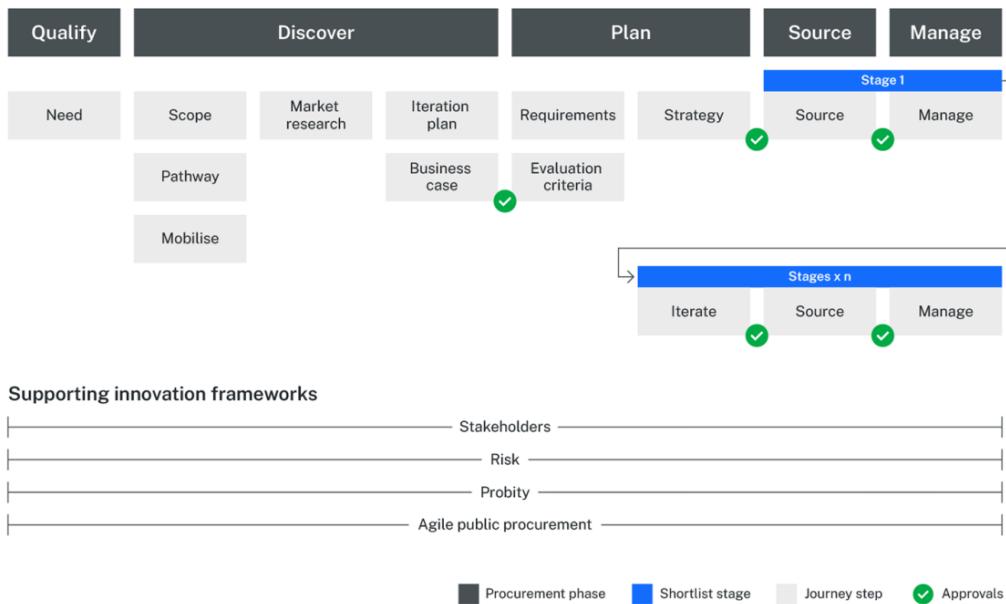


Figure 1: Stakeholder management, Agile public procurement, Risk management and Probity are the key frameworks that support the end-to-end Innovation buying journey.

Stakeholder management

Stakeholders support every step of the innovation buying journey. Buying teams should apply the Stakeholder management framework as early as possible. This will ensure the right stakeholders have input to the research and decisions that happen in very early steps and will minimise delays at later steps.

Agile procurement

Agile procurement is the recommended approach for managing innovation procurement, or a multi-stage approach, where there is uncertainty about the end solution. It is particularly well adapted for ICT and digital procurement where there is a high likelihood that agile methodologies will be used to deliver the solution. Buying teams should apply the agile public procurement framework as early as possible. There are specific actions to either prepare for, or implement, an Agile procurement framework at each phase of procurement.

Risk management

Risk management should start early in the Discover phase of a multi-stage procurement process. Understanding risks helps teams to undertake each step in the Discover phase. Each step in turn refines the buying team's understanding of risks and controls. It is important that controls are set early in a multi-stage procurement and regularly maintained through every step of the process.

Probitiy

If buying teams are likely to engage directly with suppliers, probity planning should start at the Market research step. If not, probity planning will start with the Iteration plan step and may need to be budgeted for within a business case.

Getting started

[Stakeholder management ↗](#)

[Agile procurement framework ↗](#)

[Probitiy when buying innovation ↗](#)

[Risk management when buying innovation ↗](#)

Innovation buying framework resources

[Stakeholder management](#)

Engage and manage the experts you need to support your project success.

east

[Agile procurement framework](#)

Apply the agile buying methods to iterate and achieve great innovation outcomes.

east

[Manage probity](#)

Protect practices that foster innovation while navigating treatments for probity risk.

east

[Risk management when buying innovation](#)

Apply your agency's risk framework to an innovation buying project.

east

Explore Test and Buy Innovation

- [Stakeholder management](#)east ↗
- [Stakeholder roles and responsibilities](#)east ↗

- Engage the right expert for each step↗
- Agile procurement framework↗
- Agile principles and benefits↗
- Agile buying for the public sector↗
- Probit when buying innovation↗
- Amplified probit risk↗
- Probit risk treatment↗

- Get ahead of probit and risk↗
- Manage innovation buying risk↗
- Key innovation buying risk concept↗
- Apply your agency's risk framework↗
- Worked risk example↗
- Policy support for buying innovation↗
- The innovation buying journey↗
- Learn about Test and Buy Innovation Programme↗
- Get help from Test and Buy Innovation advisory↗

Set requirements and evaluate for innovation

Structure requirements that involve uncertainty and set outcome-focused evaluation criteria.



Be on the cutting edge

Buying projects that uncover real innovation use outcome-focused requirements that attract creative and unexpected proposals. Their evaluation structures focus on outcomes, can handle a diverse range of solutions and adapt to new information.

Requirements that attract innovation

With the rapid pace of change in technology, buying teams won't always know the latest developments and should be open to new or unknown ways of solving a problem. Creating a challenge statement for the market to respond to is the best way to attract a range of proposals.

Even when using a challenge statement, buying teams may need to communicate minimum technical requirements or constraints. Documenting these alongside a challenge statement can be tricky, because standard templates are designed for buying known solutions. To handle the uncertainty that comes with buying innovation, buying teams need support to adapt requirements templates or use innovation-specific templates.

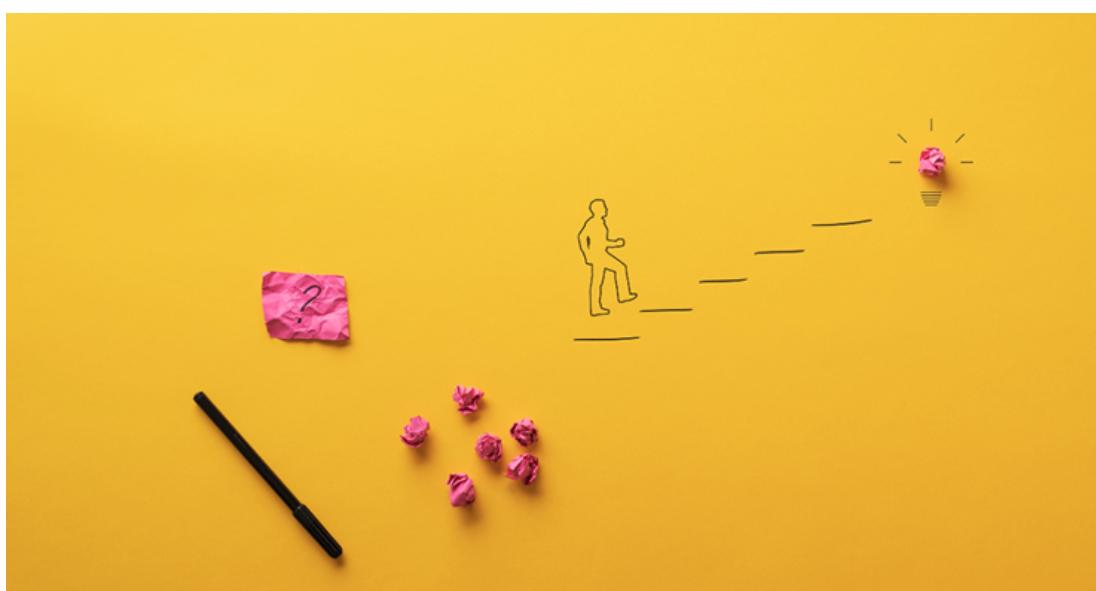
Evaluation that can handle diversity

Evaluation criteria act as a bridge between the project objectives and the problem to be solved. Buying teams should engage all relevant experts to craft criteria that narrow down the most promising proposals so they can choose which ones to explore further before making investment decisions.

Evaluation criteria should focus on outcomes and be able to adapt from one stage to the next to address new insights or manage new risks. Adaptability is particularly important when buying projects target emerging markets where there is limited information about solution maturity and supplier capability.

The guidance below will help buying teams define a challenge statement, document requirements and define criteria for assessing solutions.

Tools to help uncover problems, define outcomes, write requirements and prepare to evaluate against them



Scope for innovation

Shape and define a challenge for the market to solve.

- Why to define innovation scope ↗
- When and how to scope for innovation ↗
- Key innovation scoping steps
- The risks of assuming the solution

[View more](#)



Document outcome-focused requirements

Structure outcome focused requirements that involve uncertainty.

- Why this is a challenge ↗
- When to undertake and who to involve
- Prepare a Statement of Requirements

[View more](#)



Define evaluation criteria

Set flexible evaluation criteria that focus on outcomes.

- When and how to set criteria
- Set mandatory criteria
- Staged evaluation criteria
- Level of detail by stage

[View more](#)

Explore Test and Buy Innovation

- Innovation eligibility checklist [east](#)
- The innovation buying journey [east](#)
- Stakeholder management [east](#)
- Learn about Test and Buy Innovation Programme [↗ east](#)
- Get help from Test and Buy Innovation advisory [↗ east](#)

Probit risk treatments

Build confidence to balance probity risk with outcome rewards.

To get to a high level of confidence that the end solution will be the best fit for the business objectives, probity-related risks should not simply be removed when buying innovation. Although innovation procurement can [amplify some probity risks](#), Removing the risk would also remove the reward or potentially create a bigger risk of investing in a solution that is not fit for purpose.

Rather, the focus should be on reducing the likelihood of the perception of unfairness through transparent communication with suppliers and reducing the consequence of any perceived unfairness through defensible and auditable practices.

[Read more about treatments and secondary risks ↗](#)

Different agencies and teams will have diverse contexts with existing controls for probity risks.

Example treatment options for probity-related risks

This resource provides a list of example treatments that could be used to manage [amplified probity risks](#). Treatments are grouped by the type of risk response - remove the risk, reduce the likelihood, reduce the consequence or share the risk.

[Expand all](#)

[Collapse all](#)

Increased volume of supplier communication

Managing increased communication volume means effectively handling the influx of supplier inquiries and ensuring timely, consistent and accurate responses. This maintains the integrity and efficiency of the procurement process.

Remove the risk

- **Simplified procurement process:** Simplify the procurement process to reduce complexity and the need for clarifications. This reduces the volume of supplier inquiries, easing the burden on the procurement team. However, this approach may limit the scope for innovative solutions and may not fully address the procurement needs.

Reduce the likelihood

- **Dedicated communication team:** Establish a dedicated team, or point of contact, responsible for handling all supplier communications. This ensures timely and consistent responses to supplier inquiries, reducing delays and inconsistencies. However, this may require additional resources and training to maintain effectiveness.

- **Predefined Frequently asked questions (FAQ) and clarification sessions:** Develop a comprehensive FAQ document addressing common questions and schedule regular clarification sessions with suppliers. This reduces the volume of repetitive inquiries and ensures suppliers have access to accurate information.

Reduce the consequences

- **Documented communication protocols:** Establish and maintain documented protocols for handling supplier inquiries. The protocols should include response times and procedures for escalating complex issues. This provides a clear and auditable process for managing communications, reducing the potential for disputes or complaints.
- **Regular updates and transparency:** Provide regular updates to suppliers on the status of their inquiries and any changes to the procurement process. This keeps suppliers informed and engaged, reducing the likelihood of disengagement.

Communicating the scale of the opportunity

Accurately framing the scope and scale of the final opportunity is crucial to attracting high-quality solutions from suppliers.

Clear communication helps suppliers understand the value and potential impact of their participation. This ensures they invest the necessary time and resources in their proposals.

Remove the risk

- **Avoid complex procurement:** Avoid engaging in complex projects where the scope and scale cannot be clearly defined from the outset. This approach would limit the use of diverse procurement pathways, potentially missing out on innovative solutions.

Reduce the likelihood

- **Transparent documentation:** Provide detailed and transparent information about the project's scope, objectives and potential benefits in all procurement documents so that the suppliers have a clear understanding of the opportunity. This increases their confidence in the process and their willingness to invest in developing proposals.

Reduce the consequences

- **Feedback mechanism:** Implement a feedback mechanism where suppliers can provide input on the clarity and perceived value of the opportunity. Regular feedback can highlight areas where communication may be lacking and allow for timely adjustments. This proactive approach can prevent suppliers from feeling marginalised and reduce the likelihood of formal complaints.

- **Transparent dispute resolution:** Establish a transparent process for addressing and resolving any issues or disputes related to the scope and scale of the opportunity. A clear resolution process ensures that any disputes are handled fairly and efficiently.

Representing uncertainty around each procurement stage

Transparent communication about the stages of procurement and budget availability helps build trust and ensures suppliers can make informed decisions about their participation.

Remove the risk

- **Avoid uncertainty:** Only initiate procurements with fully confirmed implementation budgets and clear, unchangeable stages. This approach would significantly limit the ability to adapt to new information and manage emerging risks. It may also lead to missed opportunities for innovative solutions.

Reduce the likelihood

- **Clear communication:** Clearly communicate to suppliers that the procurement stages and budget are subject to change. Provide regular updates as new information becomes available. Suppliers aware of the potential for changes can plan their involvement accordingly. Regular updates build trust and transparency, ensuring suppliers feel informed and valued throughout the process.
- **Agile planning:** Include contingencies and flexible planning in the iteration plan and buying strategy to account for potential changes in stages or budget availability. This approach allows the procurement process to adapt to new information without compromising the overall timeline or objectives.

Reduce the consequences

- **Feedback mechanism:** Implement a formal mechanism for suppliers to provide feedback on the procurement process and any perceived uncertainties or changes. This ensures that concerns are addressed promptly and prevents escalation into formal complaints or legal challenges.
- **Clear guidelines:** Establish clear guidelines and procedures for managing and communicating changes to procurement stages or budget availability. Having a structured approach to handling changes ensures that suppliers receive consistent and accurate information, reducing confusion. This helps maintain trust and participation from suppliers, even when adjustments are necessary.
- **Flexibility for suppliers:** Provide suppliers with the opportunity to withdraw or revise their proposals if significant changes occur in the procurement process or budget. This option gives suppliers flexibility and control over their involvement. This reduces the risk of wasted resources and increases willingness to participate in future procurements.

Changes to a buying strategy

Managing this uncertainty means progressively discovering new information and adjusting the buying strategy as confidence increases.

Remove the risk

- **Fixed buying strategy:** Implement a fixed plan that does not change once the procurement process begins. This provides certainty and stability to suppliers, reducing concerns about changing requirements or stages. However, this approach is inflexible and may not allow for the necessary adjustments as new information is discovered or new risks emerge. It can lead to less optimal outcomes.

Reduce the likelihood

- **Incremental staging and milestones:** Divide the procurement process into clear, incremental stages with predefined milestones. Regularly communicate the progress and any changes to all suppliers. This keeps suppliers informed about the process and any potential changes, reducing the likelihood of surprise adjustments. This requires iteration planning that includes governance gates and communication milestones.
- **Transparent communication of uncertainty:** Clearly communicate the potential for changes in procurement stages or budget from the outset. Highlight that the process may evolve as more information becomes available. This sets realistic expectations for suppliers and reduces the likelihood of perceived unfairness.

Reduce the consequences

- **Periodic reviews and adjustments:** Create an iteration plan that includes milestones to review new insights, identify adjustments, govern change and communicate. Communicate these reviews and adjustments transparently to all suppliers. This keeps the procurement process responsive to new information and supplier feedback. It also reduces the potential for perceived unfairness.
- **Documented decision-making process:** Maintain a detailed record of all decisions related to changes in the procurement strategy. Include the rationale and supporting information. Make this documentation available to suppliers where appropriate. This provides transparency to the decision-making process and it reduces the potential for disputes or complaints.

Evaluating diverse suppliers

To ensure a fair and effective evaluation of diverse solutions, buying teams should address the inherent challenges of applying a single set of criteria to innovative and emerging technologies alongside more established ones.

Remove the risk

- **Separate evaluation criteria:** Develop distinct evaluation criteria for different types of solutions based on their maturity and innovation level. This ensures a more tailored and fair assessment of each solution type. However, it may complicate the evaluation process and require additional resources to manage multiple sets of criteria effectively.

Reduce the likelihood

- **Expert panels for diverse solutions:** Form expert panels with specialised knowledge in various solution types to evaluate submissions. Solutions being assessed by individuals with relevant expertise leads to a more accurate and fair evaluation.
- **Transparent evaluation process:** Clearly communicate the evaluation process and criteria to all suppliers. Emphasise how diverse solutions will be assessed. This sets clear expectations and reduces the likelihood of perceived unfairness.

Reduce the consequences

- **Documentation of evaluation rationale:** Maintain detailed records of the evaluation process and the rationale behind scoring decisions for each solution. This provides transparency, reducing the potential for disputes or complaints.

Unique Intellectual Property considerations

Addressing IP concerns transparently and fairly helps maintain supplier trust and encourages the submission of high-quality, innovative proposals.

Remove the risk

- **Avoid complex procurement:** Avoid engaging with suppliers on projects involving significant IP considerations. This approach could result in missing out the most innovative solutions. It may also limit the pool of potential suppliers, reducing competitiveness and potentially increasing costs.

Reduce the likelihood

- **Clear IP policy:** Clearly articulate IP policies and protection measures in procurement documents. Ensure suppliers understand how their IP will be managed and protected. When providing detailed information on IP management upfront, suppliers are likely to feel confident in sharing innovative ideas. This reduces the likelihood of suppliers withholding their best solutions due to IP concerns.
- **Engagement with suppliers:** Engage with suppliers early in the procurement process to discuss IP concerns. Collaboratively develop mutually acceptable IP agreements. Early engagement allows for the identification and resolution of IP issues before they become barriers.

Reduce the consequences

- **Transparent handling of IP:** Establish clear, fair, and transparent processes for handling IP disputes. Having robust dispute resolution processes in place reduces the impact of IP disputes on the procurement timeline and project delivery.
- **Staged procurement and adjustments:** Implement staged procurement processes where IP considerations are progressively addressed. Allow for adjustments as more information becomes available. A staged approach enables continuous assessment and refinement of IP management strategies. This reduces the administrative burden and complexity of managing IP issues.

Communicating separately with suppliers

Another way to manage uncertainty is to increase interaction with suppliers to get the right information at the right time. Buying teams should protect the systematic uncovering of new information when considering treatment options.

Remove the risk

- **Centralised communication channels:** Implement a single point of contact for all communications with suppliers. This could be a dedicated team or individual responsible for sharing consistent information. All suppliers receiving the same information at the same time reduces the risk of miscommunication or perceived favouritism. However, it may slow down the communication process and limit the ability to address specific supplier queries in detail.
- **Standardised documentation:** Use standardised templates and documents for all communications with suppliers. Reduces the likelihood of inconsistencies in information shared with suppliers. This approach may be too rigid, not allowing tailored engagement which may be needed for agile procurement.

Reduce the likelihood

- **Regular and transparent updates:** Schedule regular updates with all suppliers simultaneously, to share progress and any changes in the procurement process. This keeps all suppliers informed and reduces the chance of miscommunication. May require additional resources to ensure all updates are clear and comprehensive.
- **Supplier feedback:** Regularly seek feedback from suppliers about the communication process. Make adjustments as necessary to address any concerns or areas for improvement. This demonstrates a commitment to transparency and continuous improvement. Acting on feedback may require changes to established processes, which could be challenging to implement consistently.

Reduce the consequences

- **Communication logs:** Maintain detailed logs of all communications with suppliers, including minutes from meetings, emails and decisions made. Make these logs accessible when necessary. This provides a clear record that can be reviewed to resolve disputes and ensure transparency.

Bringing in probity expertise

When buying innovation, probity-risks can be amplified and the desire to use a probity advisor increases. The practical guidance on this page should be considered before engaging a probity advisor. It is important to remember that engaging a probity adviser or an auditor doesn't outsource accountability. The agency is always accountable.

If management of probity risks still isn't sufficient for the complexities of buying innovation, it may be appropriate to engage a probity adviser. For further advice on how to engage an external probity adviser or an auditor please refer to the guidance on [buy NSW ↗](#).

While probity is an essential part of procurement, it should not be used to block innovation or avoid taking reasonable risks

Resources

[Amplified probity-related risks](#)

Explore Test and Buy Innovation

- [Engage the right experts for each step](#)
- [Agile procurement framework](#)
- [Agile principles and benefits](#)
- [Agile buying for the public sector](#)
- [Probity when buying innovation](#)
- [The innovation buying journey](#)
- [Get help from Test and Buy Innovation advisory](#) ↗
- [Learn about Test and Buy Innovation Programme](#) ↗

Shape the problem

Hold a problem-shaping workshop to frame the problem and desired outcome.

Shape and frame the problem to be solved

This step involves inviting core team contributors to a 2–4 hour* workshop, running the workshop and synthesising insights. Read on to learn about each activity.

*Duration will vary with project complexity and resource availability.

Before shaping and framing the problem to be solved, the facilitator should have a minimum foundational level of ICT scoping experience and skill. Roles such as ICT business analyst, user experience (UX) designer or service designer usually have these skills.

If you don't have the foundational skills, yet intend to undertake this activity yourself, please contact the Test and Buy Innovation advisory team at InnovationProcurement@customerservice.nsw.gov.au for advice, support and guidance.

If you have the foundational skills, you may access the resources supporting this step. Note that these resources are undergoing testing and are available for guided use in conjunction with the Test and Buy Innovation advisory team, who will tailor the guides to project needs and incorporate any improvements.

Steps to shape the problem

Hold a problem shaping workshop

After mobilising, the core team and relevant SMEs should hold a collaboration session to share findings from the Discovery step and shape one or more problem statements. This includes capturing and shaping:

- the current problems and opportunities
- who benefits, why and how
- what success looks like for end users and stakeholders
- measures of success
- one or more ‘how might we’ statements.

Wider engagement

If discovery has not been undertaken, more complex or multiple problem shaping workshops may be necessary. These workshops may involve external and/or multiple groups of stakeholders to help shape the problem.

Synthesise outputs

After the workshop, buyers should ensure someone synthesises the insights and frames the problems in concise language so they can be used for the challenge statement.

Wider engagement

If additional workshops involving external and/or multiple groups of stakeholders have been conducted, buyers should factor in more time, effort or resources to synthesise findings.

Who to involve in the workshop

Buyers should involve all subject-matter experts (SMEs) who can contribute to an understanding of the problem space and stakeholders who might be affected by, or interested in, the outcome. Relevant SME roles include ICT, digital, innovation, product and business users.

Learn more about [the contribution these SMEs can make in a procurement ↗](#).

Service designers or roles with similar skills may be engaged to lead the problem shaping workshops, insights synthesis and problem framing activities.

Workshop tips

Expand the headings below to learn how to design and facilitate an effective workshop. Alternatively, you might consider engaging a service designer or someone with a similar skillset to do this.

[Expand all](#)

[Collapse all](#)

Workshop principles

Avoid proposing solutions

- Many people are used to thinking about features and functional specifications. It is easy to default to these when they are so tangible.
- Specifications are not solution-agnostic and will only distract from understanding the fundamental problem.

Adopt an empathetic mindset

- Workshop participants all bring different mindsets and perspectives and a facilitator should display empathy towards all of them to get the best contribution from each team member.
- Facilitators also have an important role in building empathy among participants for customers, users or stakeholders that might be part of a problem space.

Use prompting questions

- You might prepare some prompting questions in advance if you are familiar with the problem space.
- Sometimes just asking a simple ‘why’ can help uncover important information or see a situation from a different angle.

Reflect

- Make time to step back and look for connections and patterns.
- This is where insights lie that can make solutions more relevant and meaningful to the people who will use them.

Keep it universal

- Avoid using jargon, acronyms or any unnecessary complexities.
- The problem should be simple enough for anyone to understand, and ideally, to retell.
- Equip all buying team members to talk about the problem and objectives to build confidence and passion within the project.

Make it accessible

- Ask stakeholders in advance if they have any special needs and ensure any technology or documents used in the workshop are accessible to all participants.
- Reach out to the [Test and Buy innovation advisory team](#) ↗ if you need help making your workshop more accessible or consult the [Accessibility and Inclusivity Toolkit](#) ↗.

Pre-work strategic questions

Certain questions might be best answered before starting workshops or discussed early on the workshop agenda.

Who stands to benefit, how and why

Answering this question helps a team identify stakeholders and users and consider how life will improve for them. At this stage, you understand whether you are solving a problem for citizens or an internal team. For example, the definition of success for these groups may vary.

If the problem you want to solve is industry or government wide, it's crucial to understand why the market has failed to address it. Use evidence to justify why your agency should attempt to solve the problem.

Align effort with strategy

Consider whether solving the problem serves the agency's strategic goals or fits with agency priorities. It is not unusual for teams to be working on problems:

- that are no longer in sync with the agency strategy or mission
- where other teams are already working on solving the same problem
- where the problem is being tackled at an all-of-government strategic level.

[Learn more about aligning the need with strategy](#)

Pro questioning technique

Use the questions below as lenses to explore the problem space in a structured discussion. Use prompting questions to obtain concise meaningful insights that avoid generalisation and help accelerate challenge statement definition.

Who is affected?

Who is experiencing the problem? Can this user be further specified (by demographic, persona, motivation, reason for being in the situation)? Who are all the stakeholders who might be core, indirect or directly impacted by the problem?

What is the problem?

What are the struggles? What task needs to be accomplished? What pain point needs to be relieved? What are the barriers to success and how might these be overcome? What does success look like? Who says?

Where does it happen?

What is the context in which the user experiences the problem? Is it in a physical, a digital space or both? Who else is involved?

Why does it matter?

Why is this problem worth solving? What value does it bring to the user? What value does it bring to the business? What value does it bring to the citizens of NSW?

Resources

This rest of this page refers to workshop templates, guidance and samples.

As these resources are undergoing testing, they are available on request for guided use in conjunction with the Test and Buy Innovation advisory team. This ensures that the guides can tailor to project needs and incorporate any improvements.

If you wish to access the problem shaping and framing workshop guide and templates, need help making your workshop accessible, or engaging resources to lead this activity, please contact the Test and Buy Innovation advisory team directly at

InnovationProcurement@customerservice.nsw.gov.au. If you have any trouble accessing a file or document on this page, you can request an accessible version from the same email address.

For a workshop, there are 5 templates to support you. You can navigate to individual templates at each step below or [view all templates and other resources](#).

Option A: simple challenge workshop template (Part B simple template)

This workshop template is suitable for a simple problem with a small number of stakeholders.

Duration: between 1 – 2 hours

LEAN innovation canvas

1. Frame the problem to be solved, the goal, desired outcome and value. Identify who is involved and their perspective.
2. Is this the right problem to solve? Think of the problem from multiple perspectives, reframing using a variety of lenses.
3. Rewrite a better problem to solve in the form of a reframed ‘How Might We’ (HMW) statement.

Resources

[Workshop template and guide – template Part B simple LEAN Canvas](#).

Insights captured from this activity are used to frame a HMW challenge, the current state and desired outcome, user stories and/or use cases, success criteria and measures in the challenge statement.

Option B: complex challenge workshop (Part B complex templates)

These workshop templates are suitable for a complex problem with a large or diverse number of stakeholders. Estimated duration: 2.5 – 4 hours

Uncover the current state and opportunity templates 1 and 2

Uncover current situation – problems, opportunities, who stands to benefit, how and why.

Duration: 1 hr (will vary with project complexity and resource availability).

Resources

[Workshop template and guide to uncover the current state and opportunity - template 1 and 2 ↗](#).

Insights captured from this activity are used to frame user stories and/or use cases in the challenge statement.

Define outcome and success criteria template 3

Define the desired future outcome in simple terms with success criteria.

Duration: 1 hr (will vary with project complexity and resource availability).

What is the desired outcome and success criteria?

- Answering this question requires understanding the perspectives of stakeholders and users.
- Avoid the temptation to favour a particular solution or approach.
- This question should be addressed qualitatively and quantitatively whenever possible.

Resources

[Workshop template and guide to define outcome and success criteria – template 3 ↗](#).

Shape ‘how might we (HMW)’ statements template 4

‘How might we’ problem statements should be narrow enough to give stakeholders direction and focus. Ensure they are broad enough to allow for creative freedom and the possibility of multiple innovative solutions.

Duration: 30 mins (will vary with project complexity and resource availability).

Resources

[Workshop template and guide to shape ‘how might we’ statements ↗](#).

Synthesis and problem framing

Once you’ve completed the workshop activity, you’re ready to:

- synthesise insights if there are many contributors

- frame the problem in concise language.

Resources

[Workshop design samples ↗](#)

[Completed workshop samples ↗](#)

[Synthesis and framing activity sample ↗](#)

[User story and use-case toolkit ↗](#)

Scoping for innovation next steps

[Define the challenge statement](#)

Explore Test and Buy Innovation

- The innovation buying journeyeast
- Define the challenge statementeast
- Risk of assuming the solutioneast
- Scope for innovationeast
- Learn about Test and Buy Innovation Programeast ↗
- Get help from Test and Buy Innovation advisoryeast ↗
- Request service design resourceeast ↗
- MIRO workshop templates and sampleseast ↗

Choose whether to plan for scale

Learn about the pros and cons of planning for scale and make informed procurement decisions.

Choose whether to plan for scale

The buying pathway will determine whether there is a smooth transition from any tests or trials through to implementation at scale. It is possible, and often desirable, for a single procurement to cover testing and scale over multiple stages, enabling buyers to approach the market once. This option is called ‘plan for scale’ (Option A) and is explained in more detail below.

Focusing on testing before considering a wider market approach may be a valid option in some cases, but buying teams should make this decision fully understanding the pros and cons. This option is called ‘test and learn before planning for scale’ (Option B).

Buyers and their procurement partners should assess the pros and cons of each procurement option to make an informed decision about whether the buying pathway will cover the procurement approach right through to implementation of an end solution at scale. The buyer’s business objectives and risk appetite will influence the decision.

Option A: plan for scale

Option A is a sourcing strategy that allows for testing, learning and implementation at scale. It requires only a single competitive market approach.

This option is best for buyers who want to approach the market once. Buyers choosing this option should have enough information about the long-term scale of the opportunity to shape a procurement approach. This information includes:

- the problem being solved and/or the desired outcome
- the total scale of the opportunity
- commitment from the buyer of the end solution.

Key activities when planning for scale

When choosing to build a single sourcing strategy to cover the end-to-end procurement journey, the sequence of procurement activities can be summarised into three parts as follows:

Find out more about the market

Go to market

Prove and/or implement at scale

[Expand all](#)

[Collapse all](#)

Option A: advantages and disadvantages

Advantages

Investing the time into an innovation buying pathway and eventually a procurement strategy that covers the market approach for testing as well as scale, brings several advantages:

- avoid delays in scaling successful trials by investing time up-front in a multi-stage sourcing strategy and good governance structures for each stage
- collect evidence from proof stages to inform business cases for funding of later stages
- gather market evidence to justify limited tendering or direct negotiation if unable to attract suitable competition
- refine problem statement and requirements within the procurement process without starting a new procurement
- attract a broader range of solutions and the best suited suppliers by signalling the full extent of the scale opportunity and whether there will be payment for trials
- test and evaluate solutions of varying types or maturity
- test new solutions relatively quickly before committing to implementation at scale
- carry out multiple stages of proof to gradually narrow the field before implementation
- work with multiple suppliers concurrently or even uncover collaboration opportunities and multiple ways to solve problems
- retain the right to stop engagement at any stage if criteria are not met.

Disadvantages

Planning for scale may call for greater time and resource investment than a project can support, due to the complexity of:

- integrating all aspects of a procurement strategy across multiple stages
- planning ahead for budgets, staged deliverables, evaluation criteria and contracting
- creating management structures to manage uncertainty and change
- risk and change appetite of the business
- active engagement of sponsors and governing groups

- the skills and resources needed to navigate the procurement policy landscape.

Provisions and guidance

The buyer should always consult with their agency procurement team to ensure their procurement approach meets business objectives. They should also consult the [NSW Procurement Policy Framework](#) ↗ and [Enforceable Procurement Provisions \(EPP\)](#) ↗ before proceeding.

Step 1: Find out more about the market. Policy and guidance references:

- The [NSW Procurement Policy Framework](#) ↗ encourages [engaging with industry](#) ↗ and adopting [multi-stage market approaches](#) ↗.
- The [Enforceable Procurement Provisions \(EPP\)](#) ↗ provide for market engagement to help develop requirements, however buyers should ensure engaged suppliers do not have an unfair advantage if they are to participate in tenders.
- Guidance from the construction sector encourages [interactive tender processes](#) ↗ including a probity advisor to manage risks.
- Sourcing templates are available on buy NSW and through agency procurement teams, and innovation buying project examples can be requested by emailing InnovationProcurement@customerservice.nsw.gov.au ↗.
- Consider Intellectual Property (IP) implications for supplier engagement that informs a market approach. Communicate the default position to suppliers and have a plan to manage any IP.
- Seek guidance from your agency's ICT team on guidance or policies that apply to certain technology domains, e.g. [NSW Artificial Intelligence Assessment Framework \(NSW AIAF\)](#) ↗.

Step 2: Go to market. Enabling provisions/guidance:

- If the value cannot be estimated, it is best to assume the [EPP](#) ↗ applies.
- Use of the [ICT Services Scheme](#) ↗ is governed by a [Procurement Board Direction \(2019-05\)](#) ↗ and accredited agencies may have additional rules.
- Unless using the ICT Services Scheme, an open market approach is generally required except under some circumstances described in the [EPP](#) ↗.
- The [ICT Purchasing Framework](#) ↗ explains how to select and use the appropriate agreement when buying ICT/digital products and services.
- Set up transparent communication and documentation processes when engaging with suppliers to ensure probity risks are managed.
- Plan for handling Intellectual Property from suppliers participating in proof stage and carefully manage how it informs later stages.

Step 3: Implement at scale. Enabling provisions/guidance:

- The [ICT Purchasing Framework](#) explains how to select and use the appropriate agreement when buying ICT/digital products and services.
- Limited tendering may be justified under limited circumstances as described in the [EPP](#). Your procurement team can advise you on whether your circumstances are justified.

[Jump to Option B](#)

Options to support planning for scale

Read more about each step in the table below.

Activity step	Procurement options	Other engagement options
Find out more about the market	<ul style="list-style-type: none"> • industry engagement • Request for Expressions of Interest (RfEoI) • Request for Information (Rfi) • Request for Quote(s) (RfQ) • open market Request for Proposals (RfP) • limited tender Request for Proposal (RfP). 	<ul style="list-style-type: none"> • multiple stages of evaluation and shortlisting • pitchfest • showcase • Proof of Concept (PoC) or trial to inform future scope, requirements • Proof of Value (PoV) or demonstration to inform future business case or funding request • hackathon • co-design.
Go to market	<ul style="list-style-type: none"> • open market Request for Proposals (RfP) • limited tender Request for Proposal (RfP) • Request for Quote(s) (RfQ). 	<ul style="list-style-type: none"> • multiple stages of evaluation • pitchfest • showcase • co-design • hackathon • Proof of Concept (PoC) and trial/s • could trial multiple vendors and/or experiments could budget for and fund trials • Some tactics could run in parallel to a Request for Information (Rfi).
Prove and/or implement at scale	<ul style="list-style-type: none"> • select single supplier to prove or implement at scale • select multiple suppliers to collaborate on a combined solution • select multiple suppliers to provide separate components of a solution • stop the process if no suitable proposals or successful trials. 	<ul style="list-style-type: none"> • enter into an agreement with one or more suppliers to deliver a proof or trial • enter into agreement for full delivery (may also be staged) • enter into multiple agreements for delivery of different parts of a solution • form a panel of suppliers who can contribute different parts of a solution • alter scope based on learnings – new market approach required

- continue to prove components.

Get started on planning for scale

Design your buying pathway

Explore and add pathway tactics, milestones and timelines. Estimated duration is 1 - 2* weeks.

*Will vary across NSW Government agencies' policies and processes, project complexity and the effectiveness of early stakeholder consultation.

Resources

[Design a buying pathway](#)

Option B: test and learn before planning for scale

Option B generally involves a direct engagement or limited tender of low value. Option B provides the ability to experiment, learn and understand the space before committing to an end-to-end sourcing strategy.

This option is best for buyers who are comfortable with the idea of approaching the market a second time with more knowledge. It can also be the default option when time and budget pressures arise. However, buyers should note the disadvantages under this option and inform approvers.

Note: Option B provisions do not support implementation at scale. After finishing the test-and-learn activities, and before scaling, the buyer needs to run a competitive procurement. Or the buyer needs to consider whether they could be exempt from this requirement based on provisions in the [Enforceable Procurement Provisions \(EPP\)](#).

Since Option B involves a pause and a return to market, the sequence of procurement activities is longer and can be summarised into five parts as follows:

Test and learn while adhering to procurement provisions

Pause and use evidence collected to inform a procurement strategy

Find out more about the market (optional)

Go to market

Prove and/or implement at scale

[Expand all](#)

[Collapse all](#)

Option B: advantages and disadvantages

Advantages

- Get a better understanding of the problem space, potential solutions and scope of a competitive tender by testing without commitment.
- Collect evidence to inform a business case and seek funding for scale implementation through a well-designed trial to prove the value of an initiative.
- Using available budget or demonstrating progress may be beneficial enough in the short term to offset the longer term costs in time or effort to run a competitive tender later.
- If there is high confidence that a preferred supplier is ‘unique’, an independent entity may be able to validate this to avoid a competitive tender before scale implementation.
- Buyers should seek agency advice on what counts as evidence of uniqueness to justify direct negotiation.

Disadvantages

- Successful Proofs of Concept (PoC) or trials may not be able to scale and/or be rolled back.
- Lengthy delays incurred by needing to return to market.
- High risk of compromising Intellectual Property (IP) from the tested solution when returning to market.
- Investment in successful research and development may not show a return if the goal was to develop a product or service that NSW Government can buy.
- Testing conducted through a direct engagement or limited market approach is unlikely to be able to demonstrate that the solution is the best fit or value for money.
- Perception of unfairness in a subsequent tender for suppliers not involved in trials or proofs.
- Poor experience for suppliers who invest in proving their solutions with no clear procurement pathway.
- Fewer suppliers putting forward proposals without a clear reward at the end of the process.
- High risk of vendor lock-in and scope creep.
- When technology is evolving rapidly, any unnecessary delay between testing and implementing might mean the market has changed.

Test-and-learn provisions to consider

Under certain circumstances, and with an understanding of the impact on further procurement, buyers may wish to quickly engage a supplier for testing and learning without planning for multiple procurement stages. The following non-exhaustive list of information sources may help with this option, however buyers should always consult the [NSW Procurement Policy Framework](#) ↗ and [Enforceable Procurement Provisions](#) ↗ (EPP) before proceeding:

- The EPP provides for market engagement to help develop requirements, however buyers should ensure engaged suppliers do not have an unfair advantage if they are to participate in tenders.
- The [NSW Procurement Policy Framework](#) ↗ encourages [engaging with industry](#) ↗ and adopting [multi-stage market approaches](#) ↗.
- The [NSW Procurement Policy Framework](#) ↗ provides for direct negotiation with certain businesses like small to medium enterprises, Aboriginal and Torres Strait Islander businesses and disability employment organisations.
- Use of the [ICT Services Scheme](#) ↗ is governed by a [Procurement Board Direction](#) ↗ and accredited agencies may have additional rules.
- Unless using the ICT Services Scheme, an open market approach is generally required except under some circumstances described in the [EPP](#) ↗.
- Direct negotiations should be informed by the [NSW Government Direct Dealing Guidelines](#) ↗.
- The [ICT Purchasing Framework](#) ↗ explains how to select and use the appropriate agreement when buying ICT/digital products and services.
- Plan for handling Intellectual Property from suppliers participating in proof stage and carefully manage how it informs any future tender.
- Set up transparent communication and documentation processes when working with multiple vendors to ensure probity risks are managed.

Note: If the procurement value can't be estimated, assume the Enforceable Procurement Provisions apply.

Next steps

[Design a buying pathway](#)

Explore Test and Buy Innovation

- [Stakeholder management](#) ↗
- [Buying pathway](#) ↗
- [Set up for success](#) ↗

- Learn about Test and Buy Innovation Programme [↗](#)
- Get help from Test and Buy Innovation Programme [↗](#)
- Innovation eligibility checklist [↗](#)
- The innovation buying journey [↗](#)

Design a buying pathway

Explore supplier engagement options to map a pathway that achieves your business objectives.

Design an innovation buying pathway

Designing a draft buying pathway can take as little as 1– 2* weeks. Drafting a buying pathway isn't a linear process and may need to be refined during the Discover phase as more is learned about the challenge, stakeholder needs and expectations, the market and the maturity of potential suppliers and solutions. It involves:

- exploring innovation tactics and benefits
- considering options and choosing the tactics that best support the business objective
- exploring the library of example innovation pathways including those taken by projects with similar buying scenarios and objectives
- building an indicative pathway that includes activities, milestones and estimated timelines
- conducting market research and defining the challenge, scope and evaluation criteria before refining the buying pathway as needed.

*Will vary according to agency policies, processes and project complexity.

Supplier engagement options

Expand the accordions below to explore a range of supplier engagement options or innovation tactics. Understand when they can be used to encourage innovation and test solutions and supplier capability and how they can support your buying objectives.

[Expand all](#)

[Collapse all](#)

Industry engagement

Before starting procurement activity, it can sometimes help to better understand the industry that might supply the solution.

There are several [established methods for industry engagement](#). You can read about the types of engagement that are possible and how to approach them.

Benefits of using this tactic:

- helps validate that the problem statement makes sense and captures the right information and detail

- provides early access to industry insights and expertise
- optimises suppliers' understanding of requirements to enable them to submit proposals
- can help understand the capabilities and solutions available in the market, and to choose procurement tactics that will best prove and evaluate
- identifies opportunities for a consortium of suppliers to address a solution
- supplier visibility of the procurement process upholds expectation and perception of transparency and fairness.

Supplier engagement during procurement

Engaging suppliers during procurement is generally done through open briefings, Q&A sessions and clarification sessions, among others. It is critical to be clear on what information can and can't be provided to suppliers to:

- maintain the probity of the procurement activity
- provide all suppliers the same opportunity to access that information to ensure fairness
- record all communications for transparency.

Benefits of using this tactic:

- optimises suppliers' understanding of requirements, enabling them to put forward solutions that solve the problem effectively
- upholds supplier expectations and perceptions of transparency and fairness and improves overall working relationship
- can improve suppliers' understanding of NSW Government priorities and public procurement processes more generally, enabling their growth and increasing competition
- buyer can develop a deeper understanding of supplier capabilities and shape the procurement pathway accordingly.

Testing with multiple stages or suppliers

Testing and learning can be done with multiple suppliers within a single procurement process by developing a multi-stage procurement strategy. For example, three suppliers might be shortlisted based on their proposals after a competitive market approach and invited to participate in a proof stage such as a Proof of Concept (PoC) or a trial, before narrowing the field again to one or more preferred suppliers. Each stage generally has its own proposal and evaluation criteria that are reassessed before the next stage, as more information is available about the solutions and suppliers.

Benefits of using this tactic:

- testing multiple suppliers at multiple stages provides greater certainty that a solution is the right one

- offers the ability to select one or more vendors to collaborate on a combined solution or to provide separate components of a solution.

Compensate suppliers for testing

Suppliers invest time, people and other resources when they participate in proofs or trials. Larger suppliers often absorb this cost, but smaller suppliers may not be able to risk such an investment without guaranteeing an outcome. Buyers are encouraged to compensate suppliers for Proofs of Value (PoV), Proofs of Concept (PoC) and trials, even though some suppliers may offer this for free.

Benefits of using this tactic:

- attracts more proposals including from smaller suppliers, who often don't participate in tenders because they either can't afford to offer testing or trials for free or don't believe the time invested will result in the reward of any significant sale
- may result in discovery of a better fit solution rather than just an established one
- improves supplier capability when multiple suppliers are compensated to participate by giving more start-ups and small medium enterprises (SMEs) the opportunity to work with government and learn regardless of the final tender outcome
- diversifies and strengthens the industry by levelling the playing field rather than giving preference to larger enterprises who can afford to provide services for free.

Note: Buyers should be aware that there may be a need to safeguard the Intellectual Property (IP) of suppliers participating in a co-design, PoC or a trial as part of a multistage procurement, or test-and-learn activities that inform a tender. These should be addressed through the terms of any agreements and communicated transparently to suppliers.

Pitch event

In simple terms, a pitch event is a competitive process where suppliers compete with others in the same field to win business.

A supplier pitch is a Proof of Value (PoV) presentation that may include the supplier background credentials and capability, solution value proposition, competitive advantages, features and benefits, solution demonstration and technical overview.

In the NSW Government, a pitch is a component of a Request for Proposal (RfP) process where the tender is openly advertised or limited suppliers are invited to participate in the process and submit their proposals.

Benefits of using this tactic:

- including a pitch event in the RfP stage provides an opportunity to compare and evaluate supplier solutions in ways that might not be possible from a written submission.

Hackathon

A hackathon is an activity where software technology professionals collaborate rapidly on software projects and produce a low-fidelity prototype. Teams develop innovative solutions and prototype the most promising ideas in a limited period. Contributors may include enterprise architects, solution designers, service designers, user experience (UX) and user interface (UI) designers, project managers and end users.

In the context of the NSW Government, a hackathon may be part of a procurement process that involves a strategic supplier for the entire government. It could also be a more exclusive event where a limited number of suppliers participate. Suppliers, solution designers, service designers, user interface designers, project managers, business users and end users may be contributors.

Benefits of using hackathon events:

- optimise supplier ability to better understand problems, prepare properly and submit better proposals
- test a solution hypothesis with stakeholders and gather evidence of success before deciding to buy or develop
- provide certainty that suppliers understand problems, can work collaboratively in a time-boxed manner and can put forward tangible solutions/prototypes for evaluation.

Co-design

Co-design refers to an approach to designing solutions where community members collaborate in the design process.

Co-design is a well-established approach to creative practice within the public sector. It is often used as an umbrella term for collaborative, co-creative and open design processes. This approach goes beyond consultation by building and deepening equal collaboration between citizens affected by or attempting to resolve a particular challenge. A key tenet of co-design is that users become central to the design process as ‘experts’ of their own experience.

The public sector has adapted co-design to combine lived experience and professional expertise to identify and create an outcome or a product. It builds on engagement processes such as social democracy and community development where all critical stakeholders, from experts to end users, are encouraged to participate and are respected as equal partners, sharing expertise in the design of services and products.

Key components of a co-design process:

- intentionally involving target users in designing solutions
- postponing design decisions until after gathering feedback
- synthesising feedback from target users into insights

- developing solutions based on feedback.

Co-design is a process, not a single event. Additionally, this process can be iterative – so even after you have released or launched a product, you can still go back to the community to get feedback and design improvements.

If one of the key purposes of open data is to benefit the public, then it follows that governments should work with the public to ensure that open data is being released and presented in ways that meet community needs and desires. Otherwise, they risk pouring a lot of effort into products that may not end up getting used or that are very challenging to use.

In the NSW Government, co-design may be a component of a procurement that involves an all-of-government (AoG) strategic supplier or where limited suppliers are invited to participate.

Benefits of using this tactic:

- Co-design optimises supplier ability to better leverage stakeholder Intellectual Property (IP), understand problems and work collaboratively and iteratively towards a solution.
- Co-design provides ability to test a solution hypothesis with stakeholders and gather evidence of success before making a decision to buy or develop solution fully.
- Co-design provides certainty that suppliers understand problems, can work collaboratively in a time-boxed manner and can put forward tangible solutions/prototypes for evaluation.

Bring your pathway to life

Map out your pathway

Once buyers have explored the innovation tactics and benefits, it is time to draft a pathway with the procurement and engagement approaches that best support business objectives. Your pathway will include all the associated milestones, timelines and key activities.

Resources

To get started, buyers should consider reviewing the innovation pathways sample library, which is available for supervised access. Navigating the library under guidance is important because all pathways must be tailored to business objectives.

Review the [library of innovation pathways](#).

For help building a suitable innovation pathway or resourcing support to lead this activity, please contact the Test and Buy Innovation advisory team directly at InnovationProcurement@customerservice.nsw.gov.au ↗.

To refine the pathway and start to build a procurement strategy, buyers should first mobilise a buying team of subject-matter experts who can contribute their knowledge.

Read about how to [mobilise your buying team](#).

Equipped with a draft pathway, buyers should define the scope of innovation that will be the basis of the market approach. Innovation scope will capture insights that help the buying team understand the problem, conduct market research that can inform some likely (but non-exhaustive) solutions and lead to a detailed and optimised innovation pathway.

Read how to [scope for innovation](#).

Iterate your pathway based on your learnings

Once you have drafted your potential pathway/s, you may need to refine and tailor it based on your learnings gained during the Discover phase. Refinement may include updating options, activities, milestones and estimated timelines based on greater clarity of scope, business objectives, market maturity and other insights.

Prepare documents

To keep project stakeholders aligned, document your buying pathway into draft [innovation challenge guidelines](#) and communicate with all internal audiences.

Once you have finalised your pathway, you will need to finalise your innovation challenge guidelines, prepare an innovation procurement strategy and Statement of Requirements (SoR) documentation for formal approvals (estimated duration is 2 - 4* weeks).

*Will vary with NSW Government agency policies and processes, project complexity and adequacy of stakeholder consultation.

Resources

[Document your market approach](#)

Obtain approval

Estimated duration is 2 - 4* weeks.

*Will vary with NSW Government agency policies and processes, project complexity and adequacy of stakeholder consultation.

Explore Test and Buy Innovation

- Library of innovation pathwayseast
- Mobilise your buying teameast
- Scope for innovationeast
- Choose whether to plan for scaleeast
- Stakeholder managementeast
- Buying pathwayeast
- Set up for successeast
- Learn about Test and Buy Innovation Programeast ↗
- Get help from Test and Buy Innovation advisoryeast ↗
- Innovation eligibility checklisteast
- The innovation buying journeyeast

Apply your agency's risk framework

Augment existing risk management frameworks by embedding an innovation risk mindset into each risk management step.

All NSW Government agencies are responsible for developing risk management frameworks, and they do so under the guidance of the [Risk Management Toolkit](#) ↗ managed by the NSW Treasury.

The guidance on this page supports buying teams to apply their agency's risk management frameworks in an innovation procurement context. It embeds a innovation mindset into the key steps from the international standard for risk management, ISO 31000, shown in Figure 1.

Buying teams should always refer to their agency's risk management procedures in the first instance. This guidance does not override any agency-based guidance or anything in the NSW Treasury Risk Management Toolkit, but rather, augments existing guidance for innovation buying projects.

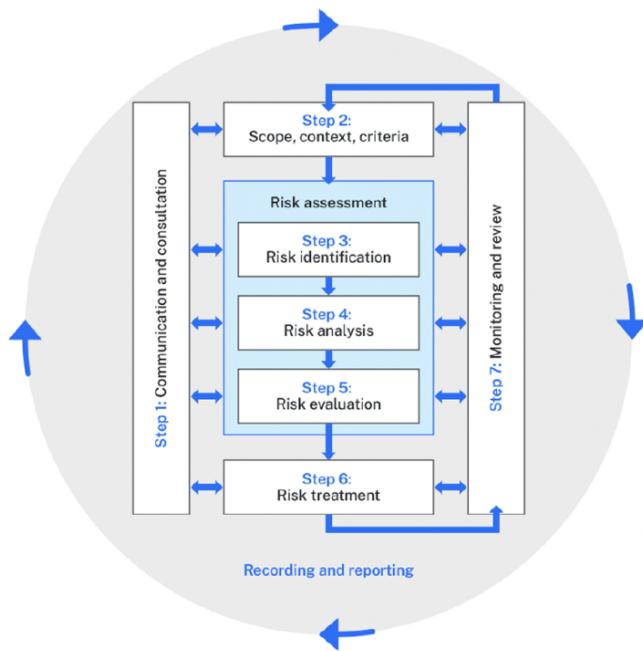


Figure 1: The steps of the risk management process, aligned with the international standard for risk management, ISO 31000.

Supporting innovation in each step of the risk management framework

Step 1. Communication and consultation

Stakeholder identification  and mobilisation give innovation buying projects the best chance of success. Communication and consultation of risk management are key considerations in both. Buying teams should engage with technical staff, subject-matter experts, users and relevant stakeholders throughout the procurement.

Engaging experts early not only helps identify potential risks but also ensures that the procurement approach achieves the agency's innovation objectives and helps monitor the evolving risk profile. Collaboration between different experts will drive valuable insights into the unique risks associated with innovative solutions and emerging technologies, as well as more effective treatments for risks.

Step 2. Scope, context, criteria

To establish the context for risk management, buying teams will need to explore several risk domains in parallel to any context scanning they would usually do for an ICT project. This will narrow down the risk domains, expertise and tools that could be relevant to their project.

Since innovation objectives are part of the scope and context of the project, buying teams should ensure they are adopting an innovation mindset  from this point onwards.

Expand the boxes below to help identify risk domains that are relevant to your project which will help drive risk identification at Step 3.

[Expand all](#)

[Collapse all](#)

Technology risks

Uncertainty about the end solution will limit the technology risks that can be identified before proposals are received. These risks fall into several domains including cyber security, data privacy and system integration. This uncertainty is a risk in its own right, and should drive extra risk identification steps at later stages, after proposals have been received.

Engagement with technical experts should be early and ongoing, since their expertise will be needed to revisit the risk landscape and decide how to navigate emerging risks at each stage.

Probit risks

Buying teams need to pay close attention to risks relating to probity and fairness from the outset. These risks are amplified because of the complexity and uncertainty in outcome-focused, iterative procurement processes, the potential for change to the procurement approach after the procurement has started and the preference for more supplier interaction to help refine narrow down and refine solutions.

Engaging probity expertise early (internal or external) can help narrow down risks, develop a probity plan to address them and embed probity into the design of all testing stages and engagements.

Supplier risks

Market analysis to determine supplier maturity, while still essential, can be more challenging in a technology-agnostic buying project. This is particularly true for nascent or emerging technology markets.

By engaging supplier risk experts early, buying teams can capture the most relevant risks and controls to inform both market research and the procurement strategy. Ongoing engagement with these same experts will ensure buying teams refine their understanding of supplier capability and risks with each stage of testing and shortlisting.

Outcome risks

Buying teams should understand, as early as possible, the extent to which the buyer of the end solution has clear objectives and success criteria and is committed to investing in a solution to meet them. The buying team may be working on behalf of a buyer or owner in another business function or even another agency, so considerable effort might be required to get clarity in this area.

The level of commitment of the buyer can open risks around funding, implementation resourcing, clarity of scope and objectives and transparency of the opportunity communicated to market. Buying teams should recognise the importance of identifying these risks early.

Intellectual Property (IP) risks

The likelihood that a supplier will submit, propose and/or develop new material as part of an innovation buying project is high. Intellectual Property cannot be an afterthought – adopting informed positions on the protection of Intellectual Property will help attract innovative solution ideas, foster collaborative relationships with suppliers and strengthen the industry.

To accurately identify risks relating to Intellectual Property at Step 3, buying teams will need a clear picture of what suppliers might be concerned about at each stage. For innovation buying projects, this usually needs to cover the submission of proposals, confidentiality in supplier interactions like pitch events or clarification sessions, deliverables from testing stages like a Proof of Concept (PoC) and, of course, ownership of existing and new materials.

Step 3. Risk identification

A well-described risk includes three parts and should be easy to understand for those not involved in the assessment process. These are:

- the source of the risk, or cause
- the event that could occur, or what may happen
- the impact on objectives, both positive and negative.

Read more about risk identification in the [Risk Management Toolkit ↗](#).

This section provides some examples of risks that might arise for each of the risk domains described under Step 2. Expand the boxes to see how the risks are described using the three-part structure.

[Expand all](#)

[Collapse all](#)

Technology risks

Failing to identify and engage technical subject-matter experts at the start of the buying project results in incomplete technical information leading into contract negotiation. This creates a need for urgent technical advice, adjustments to agreement terms and decreases negotiation leverage. It negatively impacts value for money and timelines and damages the relationship with the preferred supplier.

Probit risks

Siloed communication with suppliers during delivery of a Proof of Concept (PoC) without a clear evaluation framework and corresponding probity plan can cause a supplier to perceive that requirements for the final scale stage have been biased towards another supplier's solution. This perception negatively impacts project timelines, organisational budgets and reputation.

Supplier risks

Over-estimating the capability of the market to solve the problem can result in proposals being received for suppliers or solutions that are unproven, requiring adjustments to the procurement strategy to incorporate extra testing. While this adjustment positively impacts the management of an evolving risk profile and improves confidence in the final solution and its value for money, it can also result in perceived unfairness or bias, reducing supplier trust in the process.

Outcome risks

Requesting proposals against a challenge statement without the full commitment of the intended buyer of the final solution can cause misaligned expectations between suppliers and buyers on whether procurement stages will proceed and some suppliers exiting the process or lodging

formal complaints. This means any funds committed to early stages could be wasted and negatively impacts the project outcome and the reputation of the NSW Government as an innovation partner.

Intellectual Property (IP) risks

Incorporating detail from early market engagement into the requirements of a challenge statement in a way that reveals a supplier's confidential information or Intellectual Property can result in a large enterprise developing a new product based on the Intellectual Property, the original supplier losing a valuable opportunity and initiating legal action. This negatively impacts project timelines, the willingness of suppliers to participate in innovation challenges and the reputation of the NSW Government as an innovation partner.

Steps 4 and 5. Risk analysis and evaluation

Buying teams should refer to their agency's risk management frameworks to rate the likelihood and consequence of a risk, arriving at an overall risk rating and thresholds for deciding whether the risk is acceptable or requires treatment.

To take existing controls or treatments into account as part of risk analysis, buying teams may also need to supplement agency guidance with the innovation-specific guidance on risk treatments at Step 6.

For a snapshot of relevant sections of agency frameworks that support completing this step, expand the boxes below.

[Expand all](#)

[Collapse all](#)

Consequence types and ratings

Consequence types usually include detailed descriptions of the potential impacts of identified risks and an associated rating scale. These range from financial losses and reputational damage to operational disruptions and legal implications. Narrowing down specific types of consequences helps determine the severity of each risk.

Likelihood ratings

Likelihood ratings provide clear criteria for assessing the probability of a risk occurring, or the frequency with which it is expected to occur, based on an agency's specific context.

Risk ratings

Agency risk frameworks guide users to determine the overall risk rating based on a combination of likelihood and consequence ratings. This typically involves a risk matrix or a similar tool that helps categorise risks and prioritise risk management efforts.

Risk appetite statements

Risk appetite is the level of risk the agency is willing to accept in pursuit of its objectives. This is usually expressed as a risk appetite statement across one or more contexts. An agency may have a higher risk appetite in innovation contexts than in safety contexts, for example. These statements provide a benchmark against which a risk can be evaluated to decide whether it falls within acceptable limits or needs stronger treatment.

Step 6. Risk treatment

At this step, buying teams identify risk treatments that are not already in place. Any risk treatments already in place are referred to as ‘controls’ and should have been accounted for at Steps 4 and 5.

Buying teams face decisions about the level of intervention that is appropriate for each risk. Some treatment options have flow-on impacts that interfere with project or organisational objectives, so it is important to consider which treatment options are most appropriate for the situation.

Expand the boxes to understand different levels of intervention and navigate decisions around risk treatment for innovation.

[Expand all](#)

[Collapse all](#)

Accept the risk

Risks can have positive impacts, or impacts where the negative impacts are outweighed by the positive impacts. In these cases buying teams should of course take the opportunity, but may consider whether some small treatment is needed to minimise negative impacts.

Remove the risk

In some cases, choosing not to take risks can have negative flow-on impacts. Agile procurement breaks large risks into smaller, more manageable risks, such as running more siloed or interactive engagements with suppliers to better evaluate their capability and ways of working.

While these interactions bring probity risks, choosing to remove those risks could impede the understanding of supplier capability or solution fit. For these sorts of risks, focusing on treatments that influence the likelihood or consequence are preferable.

Removing the sorts of risks that are smart to take for innovation projects can either leave an agency exposed to a poor investment decision or block innovation entirely.

Modify the likelihood

Some measures can treat a risk by lowering the chances of the risk occurring. For example, if conducting siloed interaction with suppliers, the buying team can increase transparency around how those interactions will be conducted and give suppliers an opportunity to raise objections. With clear expectations, suppliers may be less likely to perceive any unfairness.

Modify the consequences

Some treatments can reduce the severity of consequences if the risk event occurs. For example, if siloed interaction with suppliers does result in a supplier complaint, good record-keeping practices will ensure the activities and processes are defensible.

Share the risk

For some limited types of risk, like financial or asset risks, it may be possible to share or even outsource the risk through contractual agreements. Internally, some risk treatments might not be contained within the project, but rather addressed at an enterprise level and therefore need to be transferred to an enterprise risk management system.

Step 7. Monitoring and review

This step involves not only the ongoing maintenance and revision of risks that have already been identified, but also the potential identification of new risks based on new information uncovered at each testing stage.

Effective monitoring and review should not be an ad-hoc activity but should be built into the [iteration plan](#). This approach ensures risk management is proactive rather than reactive.

Regular reviews should be scheduled at predefined intervals and at key decision points throughout the project. These reviews should assess the status of existing risks, evaluate the effectiveness of risk treatments, identify any new risks that may have emerged and trigger communication with relevant stakeholders. The insights gained from these reviews can then be used to update the risk management plan, ensuring it is relevant and responsive to the project's evolving context and risk profile.

Resources

[Risk appetite when buying innovation](#)

[Worked risk examples](#)

Explore Test and Buy Innovation

- Agile procurement framework
- Agile buying for the public sector
- Get ahead of probity and risk
- Amplified probity risk
- Probity risk treatment
- Manage innovation buying risk
- Worked risk example
- The innovation buying journey
- Learn about Test and Buy Innovation Program
- Get help from Test and Buy Innovation advisory
- Innovation buying framework

Organise people

Form a core buying team and brief the key people.

Form a buying team and hold a briefing

The shape of the work involved in the buying project should be clear to the buyer and the procurement officer. It is now time to include other key contributors in the team and bring them up to speed.

This second mobilisation milestone involves engaging subject-matter experts (SMEs) and creating an aligned buying team to do the work (estimated 30 minutes—1 hour*).

*Duration will vary with project complexity and resource availability.

To do the work that the buyer and the procurement officer agreed on at the previous step, they must engage and align the other people who can help. Getting the most out of the team means organising:

- common understanding of objectives and project constraints
- how the various skills will be used.

Success for ‘organise the key people’ milestone looks like:

- the core buying team members have been engaged by the buyer and procurement officer
- everyone can easily explain the problem or opportunity, the procurement outcomes and who the team is planning to involve
- everyone in the team knows their role in the project and how it connects to the business objectives
- everyone knows who to contact for what
- a stakeholder communication plan has been circulated to the team.

Who to involve in this milestone

Expand the headings below to read more about how this guide supports each of the roles involved in this milestone.

[Expand all](#)

[Collapse all](#)

Buyer

This guide supports buyers, product owners or project managers to:

- engage key subject-matter experts (SMEs) onto the core team
- conduct an initial core team briefing.

Procurement officer

This guide supports procurement officers to:

- engage key subject-matter experts (SMEs) onto the core team
- conduct an initial core team briefing.

Subject-matter experts

Subject-matter experts (SMEs) are invited to join the core team by the buyer and the procurement officer. SMEs may include ICT, digital, risk, innovation, probity and/or legal stakeholder roles. SMEs should:

- attend the buying project core team mobilisation briefing
- align with the buyer on the business objective and desired business outcome, anticipated stages, activities and timelines
- understand their individual contribution to the buying project.

Briefing session agenda and template

This page refers to templates.

We are currently testing templates and related resources. They are available on request for guided use in conjunction with the Test and Buy Innovation (TBI) advisory team. The TBI advisory team will tailor the resources to the project's needs and incorporate any improvements back into the resources.

To access the Mobilisation workshop guide and template resources or if you need help engaging resources to lead this activity, contact the TBI advisory team at InnovationProcurement@customerservice.nsw.gov.au. If you have any trouble accessing a file or document on this page, you can request an accessible version from the same email address.

Mobilisation core buying team briefing session agenda template 1

Estimated duration: 30 minutes—1 hour (will vary with project complexity: delays due to people's availability may need to be factored in).

The briefing agenda should include:

- greetings, welcome to the core team and introductions of subject-matter experts (SMEs)
- an overview of the desired buyer outcome and pathway approach
- an overview of core team and SME roles and responsibilities including who is doing what
- an overview of approvers and who else should be informed
- agreement on how the team will communicate with each other and stakeholders.

Resources

[Mobilisation core buying team briefing agenda template ↗](#)

[Learn more about the types of SMEs, and how they contribute to the success of the buying project ↗](#)

Next mobilisation milestone

[Align the buying team](#)

Explore Test and Buy Innovation

- Align the buying team
- Stakeholder management
- Key mobilisation milestones
- Mobilise your buying team
- Set up for success
- Learn about Test and Buy Innovation Programme
- Get help from Test and Buy Innovation advisory
- The innovation buyer journey

Key mobilisation milestones

The key milestones for effective agile alignment.

The key mobilisation milestones

This page supports buyers and procurement officers to understand the key milestones for effective mobilisation. Briefly, they are:

- **Define the buying project:** Align on objectives and outcome, and identify key stakeholders in a 1-2 hr* session.
- **Organise people:** Invite core buying team subject-matter experts (SMEs) to a 30 minute - 1 hr* project briefing.
- **Align the buying team:** Focus the core team and establish ways of working with a 1-2 hr* workshop.

*Indicative duration

Define the buying project outcome

Hold a buyer and procurement alignment session.

Before a buying team can start work, they should agree on what they are working towards. This milestone involves the buyer and the procurement officer aligning on the business objectives, identifying the right people, asking the right questions and reaching consensus.

Success for this milestone looks like:

- stakeholders and their roles in the project are identified
- buying project **Responsible, Accountable, Consulted or Informed** (RACI) matrix, governance structure and stakeholder engagement matrix have been identified
- the buying objective has been documented and there is a draft work plan and stakeholder communication plan
- buyer and procurement officer can easily explain the problem or opportunity, the desired outcomes and who the team is planning to involve.

Resources

Learn how to [define the buying project outcome](#).

Organise the people

Form a buying team including subject-matter experts (SMEs) and hold an initial briefing.

To complete the work needed to achieve buying objectives, the buyer and procurement officer must first engage and align the people with roles in completing the work. This milestone is about bringing in the right skills and expertise, forming the core team, reviewing objectives and aligning on stakeholder communications approach.

Success for this milestone looks like:

- the core buying team members have been engaged by the buyer and procurement officer
- everyone can easily explain the problem or opportunity, the procurement outcomes and who the team is planning to involve
- everyone in the team knows their role in the project and how it connects to the business objectives
- everyone knows who to contact for what
- a stakeholder communication plan has been circulated to the team.

Resources

Learn how to [organise people](#).

Learn about [stakeholder roles](#) and subject-matter experts.

Align the buying team

Hold a core buying team kick-off workshop.

The last thing you need to do to effectively mobilise is hold a workshop to establish the process and practices that will support the ongoing success of your work. This milestone is all about ensuring the effectiveness, sustainability and transparency of your work.

Success for this milestone looks like:

- documentation of the work you're proposing
- buying project management plan
- key stakeholders identified with RACI, governance structures and stakeholder engagement matrix updated
- approach, timelines and milestones established
- cadence agreed

- tools and ways of working agreed
- risk mitigants identified.

Resources

Learn how to align the buying team.

Explore Test and Buy Innovation

- Define the buying project outcomeeast
- Organise peopleeast
- Align the buying teameast
- Stakeholder managementeast
- Mobilise your buying teameast
- Set up for successeast
- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programeast ↗
- Get help from Test and Buy Innovation advisoryeast ↗

Conduct market research

Gather market intelligence across emergent technology domains and iteratively refine insights to manage uncertainty.



Buying that is open to innovation seeks innovative solutions by approaching the market with an outcome focus or challenge statement.

This means the end solution is unclear, making market research tougher for buying teams. Some technology domains are still emerging, and it's uncertain which buying categories may contain the best solution. As a result, buying teams may struggle to gather enough insights for their market approach or procurement strategy.

Developing an [outcome focus or challenge statement](#) is a useful way to guide early research and align your buying team's priorities.

Key definitions

Market research: the action or activity of gathering information about suppliers and solutions.

Market intelligence: information collected through market research.

Market insights: actionable understandings of a market, derived from data analysis, that inform strategic decisions and guide a market approach.

This page provides an overview of market research for outcome-focused innovation procurement. It shows how gathering market intelligence upfront and refining insights during buying stages can lead to better innovation results.

Buying teams will learn about:

- when to conduct market research
- which subject-matter experts (SMEs) to involve
- the scope of market research and its insights
- the risks of assuming solutions without adequate market insights
- sources of market intelligence and their strengths and weaknesses
- constraints in sharing market intelligence with buying projects or agencies
- the importance of refining market insights iteratively.

When to conduct market research

Understanding the market for an innovative technology solution is not a one-step process. It is iterative and often begins before a project starts. This process continues throughout procurement activities and into business operations after project delivery.

It starts with gathering market insights from various internal and external sources. These are then refined through the buying project as solutions are evaluated.

The biggest market research effort happens in the Discovery phase, after the scope is clear and before there is an approved business case or project mandate. However there are elements of market research at other points of the buyer journey, including:

- as an ongoing activity by ICT and digital strategy professionals and category sourcing experts
- during the Scoping step to inform problem shaping or challenge definition
- in the Plan phase to shape the procurement strategy
- in the Source phase, during evaluation of proposals
- during each testing stage, including business acceptance testing and evaluation of outcomes
- during regular business activities, where ICT and business teams collect feedback.

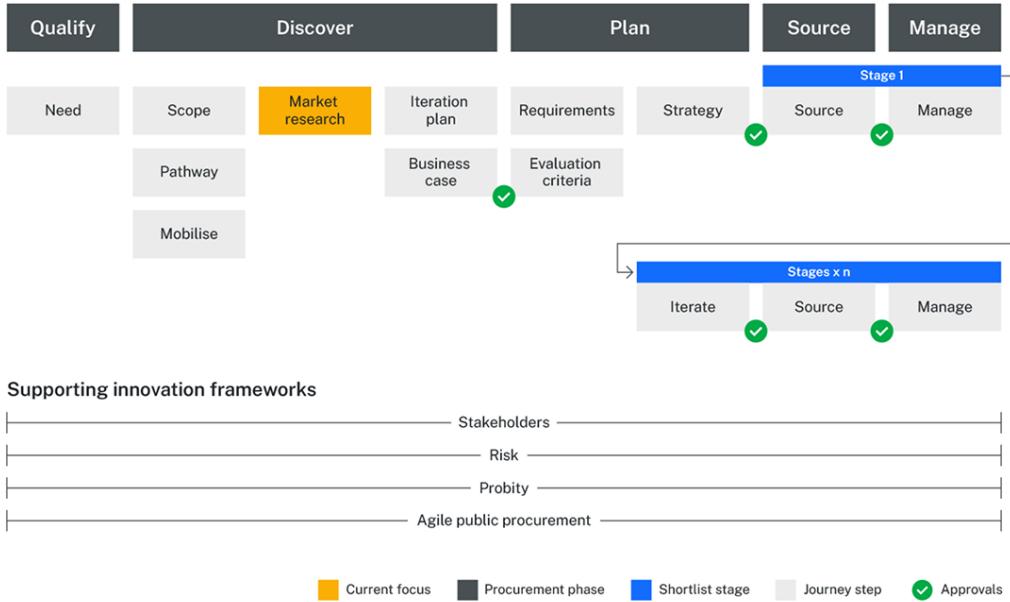


Figure 1: Market research is a step in the Discover phase of the innovation buying journey and follows innovation scoping.

Who to involve

Including a range of expertise in the discovery phase helps develop a strong understanding of the market. Effective engagement with expertise is even more crucial when the solution is unclear, emerging technology could solve the problem or multiple solutions exist. The core buying team and experts should collaborate, share insights and form a comprehensive view of the market.

Effective engagement means:

- **engaging experts** before scope is locked in
- identifying relevant experts and their contributions by defining roles and responsibilities such as a **RACI matrix, governance structure and stakeholder influence and engagement map**
- inviting key experts to the **project mobilisation**
- considering whether any external subject-matter experts or resources may be needed to supplement internal experts
- collaborating on market research data and activities, as well as on analysis of information to drive relevant insights and consensus on implications for the project.

Not engaging experts in market research creates risks. Working in isolation can prevent experts from sharing their knowledge, leading to weaker insights and poor project design. Possible impacts include:

- knowledge gaps or wrong assumptions about solutions
- team confusion, conflict, or rework, causing project delays
- misaligned expectations about suppliers and solutions
- too many, too few, or low-quality supplier submissions
- increased chance of changes in procurement strategy due to unexpected developments leading to delays, which may include:
 - adding or removing testing stages
 - refining requirements
 - adjusting evaluation criteria.

If changes stray too far from the initial market approach, the buying team may need to abandon the procurement and restart with a new market approach.

Stakeholders who help conduct market research

Expand the headings below to learn which stakeholders to engage and how they contribute in the Market research step:

[Expand all](#)

[Collapse all](#)

ICT strategy professional

Buying teams should work with the relevant ICT/digital product and technical domain leads to ensure strategic alignment before engaging the market, to understand:

- whether problem has already been solved elsewhere in NSW Government
- in-flight or planned projects seeking to solve the same problem
- whether the problem is worth solving and aligned to NSW Government strategic priorities
- existing supplier capability within NSW Government that can be expanded to support new use cases
- regulatory technology (RegTech) domain ethical risks and mitigants.

ICT risk professional

Buying teams should engage cyber security, data and privacy risk specialists during the discovery phase to form a hypothesis of the sorts of solutions that might be proposed and the risks that should be planned for. These experts deeply understand their own risk domains and can guide market research activities to understand the risk profile of potential solutions in advance (where the information is available).

During the Plan phase, these experts can:

- support risk identification and management in their respective technical domains
- help design testing stages as part of a multi-stage procurement strategy, to systematically **identify risks and break them down into manageable chunks**
- contribute to outcome-focused requirements and evaluation criteria for the market approach
- for multi-stage procurement approaches, **contribute to increasingly technical requirements for testing stages**
- possibly be appointed to the evaluation committee for expert assessment of their risk domain.

During the Source phase/s, they may evaluate supplier solutions and capability against criteria. They may also help refine market insights and adjust future testing stages to manage emerging risks and reflect other new insights.

ICT professional

Enterprise architects, ICT business partners and relevant technical domain specialists can supplement strategic alignment (see ICT strategy professional box). This helps refine the hypothesis about solutions that might be put forward. More specifically, they can advise on:

- which other technical experts should be engaged in the buying project
- known solutions in the market, pros and cons
- outcomes of previous approaches to market
- Domain-specific matters including any associated requirements (**e.g. artificial intelligence ethics policy and assurance framework**) ↗
- existing supplier capability within NSW Government that can be expanded to support new use cases
- in-flight or planned projects seeking to solve the same problem
- ICT domain ethical risks and mitigants
- testing stages that could be part of an innovation buying pathway
- options to outsource ICT market scanning or market curation.

During the Plan phase, these experts can:

- support risk identification and management
- help design testing stages as part of a multi-stage procurement strategy, to systematically **identify risks and break them down into manageable chunks**

Procurement professional

Buying teams should engage procurement specialists with ICT category and sourcing expertise during the Discover phase to ensure strategic alignment and help form a hypothesis about solutions the market might put forward. They can advise on:

- which ICT categories or supplier capabilities might be relevant
- market insights through their procurement experience with ICT suppliers
- procurement-related risks and mitigants for the ICT procurement category
- known suppliers and solutions, pros and cons
- outcomes of previous approaches to market
- existing solutions within NSW Government that can be expanded to support new use case sources of external market intelligence
- procurement pipelines or live sourcing activity that could be related to the project
- procurement resources that may be needed to support a multi-stage approach, including the potential for additional probity support.

During the Plan phase, they should:

- contribute to the risk assessment, with a focus on procurement and probity risks
- help design testing stages as part of a multi-stage procurement strategy, to ensure appropriate policy compliance, governance and probity
- review outcome-focused requirements and evaluation criteria for the market approach
- for multi-stage procurement approaches, review increasingly **technical requirements for testing stages ↗**
- possibly be appointed to the evaluation committee for oversight of policy compliance, consistency with evaluation plans and probity.

During the Source phase/s, they may evaluate supplier solutions and capability against criteria. They may also help refine market insights and adjust future testing stages to manage emerging risks and reflect other new insights.

Legal

Buying teams should engage legal experts as soon as the agency's legal team is willing.

During the Plan phase, if a multi-stage approach is being adopted, they should be briefed on the approach and can advise on suitable contracting arrangements to manage contractual risks for each stage and the overall project. They can also advise on the most suitable instruments to support a market approach and the terms and conditions that might need to be considered for testing and final implementation stages.

During the Source phase(s), they will review and contribute to tender documentation and help prepare and negotiate contracts. Legal experts may bring direct experience from previous negotiations with the same or similar suppliers.

Service design professional

Buying teams should engage service design professionals during the Discover phase to help align the buying team and formulate a hypothesis about which solutions the market might propose. They may be able to advise on several of the following:

- methods to mobilise and align a buying team and experts
- engagement of end users and other key stakeholders to understand the current and desired state
- synthesis and prioritisation of insights
- defining the problem to be solved
- framing a challenge statement the market can respond to
- value analysis that defines the impact of the problem, and the value to users and the business of solving it
- methods for early market engagement
- facilitation and co-design for engagements
- solution possibilities and hypothesis on market proposals
- market intelligence research.

During the Plan phase, they should:

- contribute to the risk assessment, with a focus on solution fit and value
- help design testing stages as part of a multi-stage procurement strategy, to build confidence in solution fit and supplier capability
- contribute to outcome-focused requirements and evaluation criteria for the market approach
- for multi-stage procurement approaches, help retain a link between increasingly technical requirements for testing stages and the challenge to be solved
- possibly be appointed to the Evaluation Committee for expert assessment of the solution fit.

During the Source phase(s), they may design and facilitate showcases, supplier briefings and buying guides. They may evaluate supplier solutions and capability against criteria. They may also help refine market insights and adjust future testing stages to manage emerging risks and reflect other new insights.

Operational business and/or technology owners and end users

Buyers should engage owners of operational business functions and related technology, as well as end users during the Discover phase to build an understanding of the problem space. They may provide advice or contribute to:

- identifying who should contribute to market research
- shaping the problem to be solved, including current state insights
- determining the value and priority of a potential solution
- solutions they have considered or their hypothesis of solutions the market might put forward
- framing of the challenge and defining requirements
- previous research undertaken and insights gained
- previous engagement undertaken such as market sounding or briefings.

During the Plan phase, they may:

- have input to the design of testing stages as part of a multi-stage procurement strategy, to ensure testing reflects the business environment, end user perspectives, relevant data and business processes
- contribute to outcome-focused requirements and evaluation criteria for the market approach
- for multi-stage procurement approaches, contribute to increasingly technical requirements for testing stages with a focus on business processes, end users and data types, potentially ensuring the availability of people and data for testing
- possibly be appointed to the evaluation committee for assess usability, functionality and user experience.

During the Source phase(s), they may evaluate supplier solutions and capability against criteria. They may attend or participate in showcases and supplier briefings.

Probit

Buying teams should seek probity advice as early as possible, so that if a probity advisor is recommended, they have an opportunity to understand the buying project objectives and provide guidance and/or advice before governance decisions are made.

During the Discover phase they may provide advice on early market engagement activities.

During the Plan phase, they may provide advice on, and contribute to the risk assessment and probity plan. In a multi-stage procurement they may be asked to provide advice on probity arrangements for the initial proposal stage and transitions into subsequent testing and/or implementation stages.

During the Source phase(s), they will provide advice on supplier engagement activities, evaluation and communications.

Getting started

Scope and purpose of market research

Build market insights iteratively ↗

Sources of market information

Risk of assuming the solution

Market research resources

Scope and purpose of market research

Support accurate and confident decision-making in the procurement process.

east

Build market insights iteratively

Iteratively gather insight to reduce risk, increase confidence and combat uncertainty.

east

Sources of market information

Evaluate all the sources of market intelligence and what can be shared.

east

Explore Test and Buy Innovation

- Risk of assuming the solutioneast
- Build evidence for your case for changeeast
- Build market insights iterativelyeast
- Sources of market informationeast
- Buying pathwayeast
- Scope for innovationeast
- Get help from Test and Buy Innovation advisoryeast ↗
- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programmeeast
- Buy, build or borroweast

Scope and purpose of market research

Support accurate and confident decision-making in the procurement process.

The scope of market research

Market research should aim to build insights across several elements:

- the nature of the problem to be solved
- products and services that could solve the problem
- technology trends, past and future, across domains and categories
- maturity of potential solutions with respect to use cases
- position of a technology solution on the hype cycle
- business and commercial models, with up-front and ongoing costs and benefits
- level of competition vs niche or unique solutions/capabilities
- functional capability and usability
- technology extensibility and interoperability
- supplier capability and capacity to deliver a solution
- ease of implementation
- training or change management needs
- support and service levels
- ability of supplier to meet mandatory government requirements or broader government outcomes
- understanding of what opportunities are likely to motivate suppliers
- supplier financial position, commercial viability and other supplier risks.

Why we need market insights

Buying teams can improve their awareness of the external market:

- Visibility of the external marketplace helps organisations understand market capabilities, observe developments with the competition and manage their supply base and supply chain.
- Ongoing research and insights help organisations spot key trends in the market and address related risks.

Buying teams can improve confidence in decisions:

- Insights into the external market refine internal product plans and spot opportunities.
- Insights clarify which procurement approach will maximise maturity, competition, diversity, and the ability to meet government needs.
- For innovation, insights clarify the best testing methods to include in the buying pathway. This helps reach the right suppliers and create a strong innovation buying strategy to meet business needs, ensure value for money, and future-proof capability.

For innovation procurement, insights from market research help to:

- identify specific opportunities and potential barriers or dependencies
- refine the scope of a use case and its deliverables
- enhance understanding of the problem, including stakeholders and challenges
- choose sourcing strategies, like whether to use an open market or limited supplier approach, an outcome-focused challenge statement or specifications
- build testing stages into the buying pathway to reduce uncertainty about market solutions
- assess market and solution maturity and technology readiness by use case
- develop more specific and technical requirements gradually
- update evaluation plans to reflect new requirements
- identify case studies and success stories that show solution feasibility
- recognise assumptions and constraints suppliers may need to consider
- create a business case for seed funding that can be further refined
- understand the benefits and risks of an emerging solution
- provide indicative pricing and commercial models to protect desired outcomes and value for stakeholders.

Risk of inadequate research

There are risks with poor market research. A buying team rarely knows all about suppliers and solutions before entering the market. Detailed insights are even harder to get for innovation, where solutions may be new or the market is still developing. Therefore, refining market insights during the procurement process is as crucial as the initial market research step. Still, thorough market research from the beginning will set a project up for success.

Types of risk from inadequate market research

Expand the headings below to explore the risks of missing market insights before approaching the market. Alternatively, jump to [Build insights iteratively](#) to learn how to refine insights after the market approach.

Expand allCollapse all

Supplier risks

Overestimating capability: Not reviewing business trends such as acquisitions and changes in company strategy may cause incorrect assumptions about supplier focus and capabilities.

Regulatory and compliance risk

- **Non-compliance:** Solutions may fail to meet regulatory or policy requirements if they are not properly evaluated against current laws, policies and standards, such as those applying to cyber security, data privacy and artificial intelligence.
- **Legal consequences:** Non-compliance can lead to legal penalties, fines and damage to reputation.
- **Security consequences:** Solutions that don't meet minimum requirements can result in cyber security or data breaches, identity theft and damage to reputation.

Project impact risks

- **Delays due to rework:** Realising the solution is not adequate mid-project can lead to significant rework or may require a new market approach. Identifying and correcting issues mid-project can also extend project timelines.
- **OVERRUNS due to rework:** Rework generally incurs additional costs. Delays across budget cycles may even result in planned budget no longer being available.
- **Misdirected resources:** Resources spent on suboptimal solutions could have been better used elsewhere.
- **Reputational damage:** Repeated failures or poor solution choices can erode trust among stakeholders and customers.

User adoption risk

- **Low usability:** Solutions based on assumptions may not be user-friendly. This often leads to low adoption rates and user inefficiencies.
- **Resistance to change:** If stakeholders aren't part of defining the problem, knowledge gaps can arise. This may result in solving the wrong problem or misjudging the scope and solution. If they miss out on providing insights during evaluation or decision-making, they may resist adopting the new solution.

Business outcome risk

- **Unrealised benefits:** Discovering changes during or after delivery can affect costs and benefits after buyers have invested in the project.
- **Increased cost:** A poor solution may raise costs due to inefficiencies, needing extra modifications or a full replacement.
- **Wasted budget:** Limited resources and budget may be spent on ineffective solutions, leaving no money for better options.

Resources

Build market insights iteratively

Sources of market information ↗

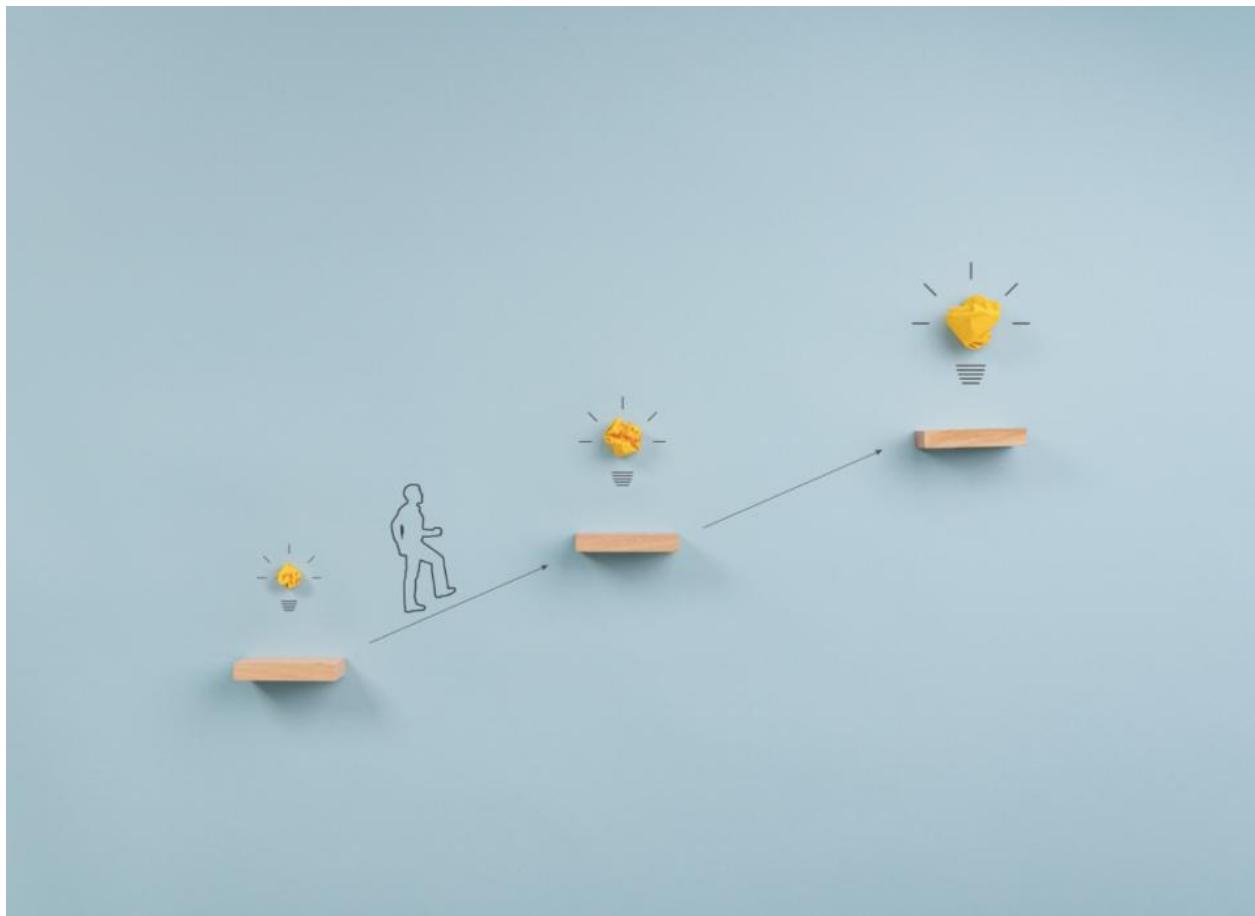
Risk of assuming the solution ↗

Explore test and buy innovation

- Build evidence for your case for changeeast
- Risk of assuming the solutioneast
- Build market insights iterativelyeast
- Sources of market informationeast
- Buying pathwayeast
- Scope for innovationeast
- Get help from Test and Buy Innovation advisoryeast ↗
- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programmeeast ↗
- Buy, build or borroweast

The innovation buying journey

Learn how to navigate the stages and milestones of the innovation buyer journey.



The innovation buying journey follows the [NSW best practice procurement process](#)  including the Plan, Source and Manage stages.

However, innovation procurement involves multiple repeated Source and Manage stages, with decision-gates between each repetition. Because of this, Test and Buy Innovation guidance uses the term ‘phases’ for Plan, Source and Manage and ‘stages’ for each repetition.

To set up for important decisions and to drive an iterative, agile approach to procurement, Test and Buy Innovation also includes a Discover phase. It is in this phase that projects set up for success – gathering robust evidence before committing to a procurement and creating governance structures to support testing, learning and adapting.

Buyers may need increased support for steps that are complex or less familiar, through the pages linked below and by contacting the Test and Buy Innovation advisory team at InnovationProcurement@customerservice.nsw.gov.au .

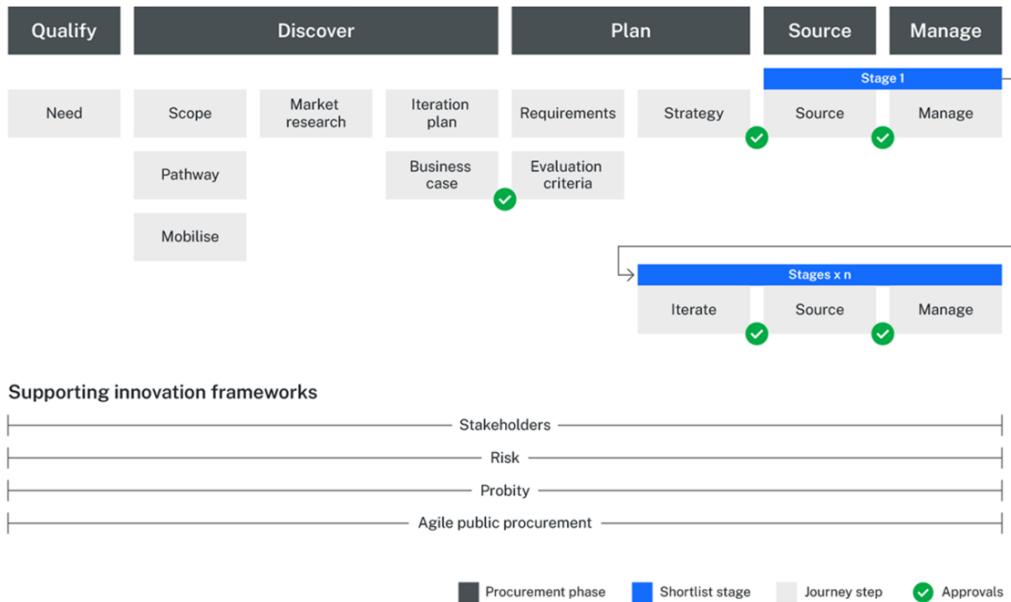


Figure 1: The innovation buying journey differs slightly from a procurement process for known solutions. Use this graphic to identify and track where your project is within the buying journey.

Align need with strategy

The first step in the Qualify phase involves developing a high level understanding of the need, desired outcome and a solution hypothesis without assuming a solution. Prospective buyers should engage ICT/product/digital and technology strategy professionals to ensure their need aligns with strategy, isn't being solved elsewhere and should be solved. Buyers can consult our [innovation eligibility checklist](#) to see if the Test and Buy Innovation model is a good fit.

Resources: [Align need with strategy](#)

Design a buying pathway

In the Discover phase, the buying pathway step starts with deciding whether the market approach should cover the final implementation of a successful solution at scale. Buyers can then explore a range of engagement methods to include in the pathway, to narrow proposals and improve confidence in investment decisions.

Buyer journey resources: [Buying pathway](#)

Mobilise the buying team

When buying innovation, a cross-functional and collaborative buying team will need to design and monitor the buying pathway and approvers will need to know what to expect. It's important to mobilise the buying project before procurement activity starts. This aligns key people on objectives, roles and ways of working and minimises conflict and delays.

Buyer journey resources: [Mobilise your buying team](#)

Scope for innovation

Defining the scope of the buying project through an outcome-focused challenge statement can attract innovative proposals. Innovation scoping workshops help stakeholders identify business needs and understand the end users' perspective. They also help align the stakeholders' understanding of the problem to be solved, the value to the end user, success criteria, and measures, which then facilitate framing a challenge statement.

Buyer journey resources: [Scope for innovation](#)

Conduct market research

Innovation buying teams should avoid assuming a solution but should still conduct market research across emergent domains and categories. Engaging a wide range of stakeholders and considering multiple sources of market insight during the Discover phase helps buying teams to form a solution hypothesis and narrow the buying pathway options. Each procurement stage will refine the understanding of the market, inform risk management, increase confidence in solutions and drive good outcomes.

Resources: [Conduct market research](#)

Develop your iteration plan

Uncovering new information is a key feature of agile and iterative procurement and an indicator of innovation. Adapting the buying approach to new information is necessary to manage emerging risks but changes must also be well-governed with probity in mind. An iteration plan helps buyers plan for and manage decision-points and gives decision-makers confidence in the change management approach.

Resources: [Develop your iteration plan](#)

Build a business case and budget

Whether a formal business is required in line with the NSW Treasury requirements, or some less formal version like a project mandate, approaching it in stages is recommended when buying innovation. This means focusing on the case for change before approaching the market to stay open to a range of solutions and having funding to cover at least one testing stage. Further funding might be subject to evidence from testing and a more detailed business case, once there is confidence in the preferred option, in line with the iteration plan.

Resources: Prepare your business case

Document outcome-focused requirements

When the end solution is unknown, innovation buying teams can use outcome-focused requirements [link to Scope for innovation page] in their initial approach to market. Rather than writing specifications, they can define a challenge statement [link to define challenge statement page] to attract a range of innovative responses from the market. Requirements templates may need to be amended to support the outcome-focus and/or staged deliverables.

Resources: Document outcome-focused requirements

Define evaluation criteria

Evaluation criteria are the bridge between project objectives and the problem to be solved. They underpin a defensible shortlisting process and connect the different experts who determine whether a proposal addresses the problem. When the solution being evaluated is unknown, criteria should focus on outcomes and may need to evolve with each stage, with changes managed in line with the iteration plan. Buying teams should avoid ruling out proposals with rigid mandatory criteria unless they are true 'showstoppers'.

Resources: Define evaluation criteria

Document your market approach

To approve an approach to market, decision-makers need a clear justification as to why the market approach is needed and how it will achieve the buying objectives and comply with the NSW Government procurement policies. An innovation buying strategy and supporting

documentation draws from the findings and decisions of all preceding steps in the Discovery and the Plan phases. A range of expertise should work collaboratively and templates may need to be tailored to accommodate the outcome-focus and multi-stage approach.

Resources: Document your market approach

Source

Coming soon

Manage

Watch this space

Innovation buying journey resources

[Align need with strategy](#)

Discover whether a need should be addressed and how to approach it.

east

[Buying pathway](#)

Choose whether to plan for scale and explore engagement approaches.

east

[Mobilise your buying team](#)

Get the right people on the same page and kick off work.

east

[Scope for innovation](#)

Attract innovation with a challenge statement for the market to solve.

east

[Conduct market research](#)

Iteratively gather market insights across emergent domains that involve a lot of uncertainty.

east

[Prepare your business case](#)

Take a staged approach to business cases and budgets to manage uncertainty.

east

[Develop your iteration plan](#)

Manage changes resulting from new information to manage risks and build certainty.

east

[Document your requirements](#)

Structure outcome-focused requirements that involve uncertainty.

east

[Define evaluation criteria](#)

Set flexible evaluation criteria that focus on outcomes.

east

[Document your market approach](#)

Document a compliant market approach that will achieve buying objective.

east

[Innovation buying frameworks](#)

Apply stakeholder management, agile methodologies, probity and risk frameworks.

east

[Stakeholder management](#)

Identify, engage and manage the experts you need to support your project success.

east

[Agile procurement framework](#)

Apply agile methodologies to support iterative testing and achieve great outcomes.

east

[Probit when buying innovation](#)

Protect practices that foster innovation while navigating treatments for probity risk.

east

[Risk management when buying innovation](#)

Balance risk and reward to achieve innovation outcomes while meeting procurement requirements.

east

Source

Coming soon

Manage

Watch this space

Explore Test and Buy Innovation

- [Innovation eligibility checklist](#)
- [Set up for success](#)
- [Stakeholder management](#)
- [Learn about Test and Buy Innovation Program](#) ↗
- [Get help from Test and Buy Innovation advisory](#) ↗

Amplified probity risk

Identify innovation buying probity risk and break down into innovation tactics that carry smaller manageable risks.

Innovation buying projects start with uncertainty about the end solution. With a well-designed innovation procurement pathway, the big risks relating to investing in and implementing an unknown solution are carefully broken down into smaller and more manageable risks. This includes ways to engage with suppliers to build confidence in the ability of a solution to solve the problem. It also involves testing how well the supplier can work with the agency's people and environment.

[Read more about designing an innovation buying pathway](#)

Supplier engagement plays an essential role in mitigating overall business and outcome risk but also introduces process risks relating to probity. These are not new risks and would already be covered by agency probity guidance, so agencies are well equipped to manage them. However, the probity risks that show up in innovation tactics can be amplified compared to buying known solutions.

Risk aversion can get in the way of engaging suppliers effectively. This section lists the amplified probity risks to help buying teams recognise them. Identifying these in advance helps buying teams navigate treatment options while protecting the effectiveness of supplier engagement.

Existing probity risks can be amplified by:

- increased volume of supplier communication – for example, more supplier questions due to complexity of multi-stage procurement, more proposal clarifications due to more open-ended problem statement may put more pressure on centralised communication strategy
- communicating the scale of opportunity – under- or over-representing the scale of opportunity communicated to suppliers
- representing uncertainty around each procurement stage – over-representing the certainty of procurement stages proceeding or availability of budget
- changes to a procurement strategy – adjusting a procurement strategy including procurement stages or evaluation criteria, in response to emerging risks
- evaluating diverse solutions – evaluating solutions of diverse types and maturities against a single set of criteria
- more unique Intellectual Property considerations – arising through proposals or deliverables that might inform how clarifications are managed or requirements defined for future stages

- communicating separately with suppliers – separate or silo interactions with multiple suppliers within a stage (e.g. if co-designing a deliverable between the agency and multiple suppliers each under separate or combined agreements).

Identify probity-related risks

The drop-down boxes below will help buying teams identify probity-related risks that are relevant to their buying project. They build on the possible causes with information on what may happen and the potential impact on objectives, which are all needed to fully define a risk.

For treatment options, refer to [probity risk treatments](#).

Expand all

Collapse all

Increased volume of supplier communication

Cause

Increased complexity due to the use of multi-stage procurement and more clarification is needed due to a more open-ended problem statement.

What may happen

- The procurement team may become overwhelmed by the volume of supplier inquiries, leading to delays in responses and potential inconsistencies in the information provided.
- Suppliers may receive delayed or incomplete answers, causing frustration and potentially affecting the quality of their proposals.
- Suppliers may perceive the process as disorganised or unfair if they do not receive timely and accurate information, potentially leading to disengagement or withdrawal from the process.

Impact on the objectives

- The quality of proposals received may be compromised due to delays or inconsistencies in communication, affecting the overall effectiveness of the procurement process and potentially leading to suboptimal solutions.
- The NSW Government's reputation for managing complex procurements effectively may be damaged, reducing trust and willingness among suppliers to participate in future tenders.
- Increased risk of formal complaints from suppliers regarding the fairness and transparency of the communication process, leading to potential legal challenges and additional costs for the NSW Government.

- The procurement project may experience delays and increased administrative burdens due to the need to manage a high volume of communications and resolve any resulting issues.
- The agency's risk appetite for innovation may be reduced if it faces the challenge of managing increased communication volume.

Communicating the scale of the opportunity

Cause

Not effectively framing the scope or scale of the final opportunity.

What may happen

- Suppliers may choose not to put forward solutions if they feel the problem can't be solved by their solution or that the final opportunity is not worth investing their time in.
- Suppliers might discover later on that their solution could have solved the problem or that the opportunity was bigger than they had been led to believe. This could result in them feeling the process was not fair or transparent.

Impact on the objectives

- The buyer could miss out on high quality solutions or the latest technology, compromising value for money and future-proofing of the end solution.
- The NSW Government's reputation as customer of innovation may be damaged with one or more suppliers. This could be directly, or through word of mouth, resulting in further loss of high -quality solutions.
- A supplier could make a formal complaint, resulting in significant time and cost investment from government to defend it through formal processes
- The agency risk appetite could be reduced, affecting the ability to adopt innovation tactics in the future.

Representing uncertainty around each procurement stage

Cause

Over-representing the certainty of procurement stages proceeding or that budget will be available.

What may happen

- Suppliers may invest significant time and resources in preparing their solutions based on the belief that the procurement will definitely proceed or that the budget is guaranteed, only to find out later that the procurement is delayed, altered or cancelled.
- Suppliers may become disillusioned or lose trust in the NSW Government's procurement processes if they perceive that the information provided was misleading or overly optimistic.
- Suppliers may pull out of the process, or be unwilling to participate in future procurements, due to perceived risks and uncertainties. This could lead to a reduced pool of potential innovative solutions.

Impact on the objectives

- The buyer may receive fewer high-quality or innovative solutions due to suppliers' reluctance to participate. This compromises value for money and the potential effectiveness of the end solution.
- The NSW Government's reputation for reliability and transparency in procurement may be damaged, leading to a lack of trust and cooperation from suppliers in future projects.
- The risk of formal complaints from suppliers may increase, leading to potential legal challenges and additional costs for the NSW Government to address and resolve these complaints.
- The agency's risk appetite for innovation may be reduced, hindering the ability to adopt innovation procurement in the future. This limits opportunities for progress and improvement.

Changes to a procurement strategy

Cause

Adjusting a procurement strategy, including procurement stages or evaluation criteria, in response to emerging risks.

What may happen

- Suppliers who have already invested in developing their proposals based on the initial strategy may feel disadvantaged or misled if the criteria or stages are changed midway. This could lead to frustration and a sense of unfairness.
- Some suppliers may withdraw from the process, feeling that the changing requirements or criteria make it too risky or difficult to continue.

- There may be inconsistencies in how proposals are evaluated if changes are not clearly communicated and understood by all parties. This could lead to disputes or dissatisfaction with the process.
- Suppliers may perceive the procurement process as unstable or poorly managed, reducing their willingness to participate in future tenders.

Impact on the objectives

- The buyer may receive fewer proposals, reducing the competitive pressure and the likelihood of obtaining the best value for money and innovative solutions.
- The NSW Government's reputation for having a reliable and transparent procurement process may be harmed. This could deter high-quality suppliers from participating in future procurements.
- Increased risk of formal complaints from suppliers about the fairness and transparency of the process. This could lead to potential legal challenges and additional administrative costs for the NSW Government.
- The procurement project may experience delays or increased costs due to the need to address complaints, manage the fallout from changes, or re-evaluate proposals based on the new criteria.
- The agency's ability to adopt innovation procurement in the future may be compromised if stakeholders become more risk-averse due to negative experiences with changing strategies.

Resources

[Read more about likely changes to a procurement strategy and change governance](#)

[Read more about the role of iterative discovery and agile project management structures ↗](#)

Evaluating diverse solutions

Cause

Evaluating solutions of diverse types and maturities against a single set of criteria.

What may happen

- Innovative and emerging solutions may not score well against more established and mature solutions due to inherent differences in their development stage and risk profiles.
- Suppliers of emerging technologies may feel disadvantaged or unfairly evaluated, leading to disengagement or complaints.

- The evaluation process may become more complex and time-consuming, as evaluators struggle to apply a single set of criteria fairly across diverse solutions.
- Potentially innovative solutions may be overlooked or undervalued, resulting in a missed opportunity for more advanced or future-proof solutions.

Impact on the objectives

- The buyer may miss out on the most innovative solution, leading to less suboptimal outcomes.
- The perceived unfairness in the evaluation process could damage the NSW Government's reputation among suppliers of innovative solutions. This may reduce willingness to participate in future procurements.
- Suppliers who feel they were unfairly evaluated may lodge formal complaints, resulting in additional time and cost investments.
- The evaluation process may become inefficient and resource-intensive, leading to delays in the procurement timeline and increased administrative burden.
- The agency's risk appetite for adopting innovative solutions may be reduced.

More unique Intellectual Property considerations

Cause

More unique Intellectual Property (IP) considerations arising through proposals or deliverables that might inform how clarifications are managed or requirements defined for future stages.

What may happen

- Suppliers might be hesitant to share innovative ideas or proprietary technologies due to concerns about IP protection, potentially leading to less innovative proposals.
- Misunderstandings or disputes may arise over the ownership and use any IP developed or disclosed during the procurement process.
- The need for additional clarifications and adjustments in procurement stages to address IP issues may cause delays and increase the complexity of the procurement process.

Impact on the objectives

- The buyer may receive less innovative solutions if suppliers withhold their best ideas due to IP concerns.
- Unclear or unfair IP policies may damage the NSW Government's reputation as a fair and trustworthy customer, reducing supplier participation in future procurements.

- Disputes over IP ownership and use may lead to formal complaints or legal challenges.
- The need to manage and negotiate IP considerations may lead to delays in the procurement timeline, impacting project delivery schedules.
- Increased complexity in managing IP issues may place additional administrative burdens on procurement teams, affecting overall efficiency and resource allocation.
- The agency's risk appetite for adopting innovative solutions may be reduced.

Communicating separately with suppliers

Cause

Separate or siloed interactions with multiple suppliers within a stage.

What may happen

- Suppliers may receive inconsistent information, leading to confusion and misalignment in their proposals or deliverables.
- Perceptions of favouritism or unfair advantage may arise if some suppliers believe they have received more or better information than others.
- Important information may be missed or miscommunicated, resulting in misunderstandings and errors in the delivered solutions.
- Collaboration opportunities between suppliers could be lost, leading to less innovative or integrated solutions.

Impact on the objectives

- Perceptions of favouritism or unfair practices can damage the agency's reputation, leading to a loss of trust among suppliers and stakeholders.
- Inconsistent or incomplete information can lead to subpar proposals and solutions, ultimately affecting the quality and effectiveness of the delivered solutions.
- Managing suppliers individually rather than collectively can lead to inefficiencies, requiring more time and effort to coordinate and align their activities.

Resources

Probitry risk treatment options

Explore Test and Buy Innovation

- Engage the right experts for each step
- Agile procurement framework
- Agile principles and benefits
- Agile buying for the public sector
- Get ahead of probity and risks
- Probity when buying innovation
- Probity risk treatment
- The innovation buying journey
- Get help from Test and Buy Innovation advisory ↗
- Learn about Test and Buy Innovation Programme ↗

Write the innovation buying strategy

Use an innovation buying strategy template or tailor your own to accommodate uncertainty and complexity.

Standard buying strategy templates can't accommodate the uncertainty of requirements based around a challenge statement or the complexity of multiple stages. This page supports buying teams to use a buying strategy template that's specific to innovation or to adapt their agency's template. Buying teams must always consult their agency procurement team to confirm which templates the agency can support.

Contact the innovation procurement team at

InnovationProcurement@customerservice.nsw.gov.au ↗ to access an innovation-specific buying strategy template.

If using your own agency's template, the guidance on this page will help you tailor that template to create an innovation buying strategy. The headings in a template will not match the headings below exactly, but all templates cover similar sorts of information.

Key information to in an innovation buying strategy

Expand the boxes below for an overview of where to draw the information for each part of the innovation buying strategy. This information will integrate smoothly with our template for an innovation buying strategy. It can also help tailor other strategy templates for the use of a challenge statement and/or multiple stages that are usually involved with innovation procurements.

[Expand all](#)

[Collapse all](#)

Procurement purpose

The goal of this section is to help decision-makers understand why the procurement is needed, why the need has arisen, and why an innovation procurement is the best path forward. When buying innovation, the need is generally expressed in terms of a challenge posed by new or evolving business needs, or through an emerging opportunity.

To make the need clear, this section should cover:

- the high-level challenge and the benefits of addressing it
- the justification for using a challenge statement and/or multiple stages rather than traditional procurement, with reference to the [Test and Buy Innovation eligibility checklist](#)
- alternative options considered (e.g. in-house resources, collaboration with other agencies).

This section can be completed using information from project briefs or business cases, if they exist, as well as the requirements document. Any of these documents should contain contextual information about the business function and the problem the project aims to solve, as well as the objectives of a market approach.

Description of goods and services

This section describes the goods or services being procured. For an outcome-focused innovation procurement it should clearly define the problem or challenge, desired outcomes and deliverables at each stage of the procurement (if multi-stage).

The following elements should be included or referenced:

- problem or challenge statement
- desired outcomes (may be at user, customer or organisation level)
- the deliverables expected for each stage of testing (such as Proof of Value, Proof of Concept)
- scope flexibility including future opportunities to expand the application of a solution
- technical and functional constraints.

Information about the challenge, outcomes and technical constraints can be drawn directly from the requirements document either as a summary or in direct reference to that document.

Information about staged deliverables can be drawn from the iteration plan, as a summary or in direct reference to an attached document.

Buying pathway and timelines

This section covers the market or supplier engagement methods that will be used to uncover information, improve confidence and reduce risk. Each engagement method will usually (but not always) align with a distinct procurement stage.

After [choosing whether to plan for scale](#), a buying team can choose one or more engagement methods to design an innovation buying pathway that meets their innovation and buying objectives. A buying team that has chosen [Option A ↗](#) (plan for scale) will choose one or more methods as separate procurement stages before a scale implementation stage. [Option B ↗](#) (test and learn) will usually involve a single method and will not proceed to implementation at scale.

This section should outline a pathway that includes the stages, key activities or milestones within each, and estimated timelines. The innovation buying strategy template includes an example table with the following columns:

- stage number or name
- stage description

- who is invited to participate
- expected timing of key milestones or activities within stage.

Buying teams can estimate timelines for the procurement activities in each stage based on sample innovation buying pathways, adjusting to reflect their own level of project resourcing, the complexity of approvals required for their project and any other agency variations. To access the library of innovation buying pathways, contact the Innovation Procurement team on innovationProcurement@customerservice.nsw.gov.au

As with any procurement, timelines are best estimates made without knowing how many proposals will need to be evaluated or competing priorities arising. Given the agile and iterative nature of innovation procurement, teams will need to be transparent with stakeholders that timelines are indicative and may change as new information arises and be proactive about communicating changes when they happen.

Pricing

Pricing is always an estimate in buying strategies and is refined through supplier proposals. For innovation procurement, there is more uncertainty attached to the estimate because the type of end solution is not known. Due to the iterative nature of the procurement process, it is important to highlight that the buying teams' understanding of pricing and payment structures may change as the project evolves and to indicate how this will be managed.

For multi-stage procurements, there may be pricing and budgets attached to each stage. Confidence in the accuracy of pricing estimates will be higher for an initial testing stage and will reduce with subsequent testing stages or full implementation costs. Buying teams should ensure the total funding available for each stage is clear and indicate where further funding requests might be needed based on the findings of testing, such as Proofs of Concept or prototypes.

It is also a good idea to provide justification for estimates [based on budget guidance for testing stages](#) and [market research](#).

This section should include:

- stage-based cost estimates
- confidence levels for each estimate
- evidence or justification for each estimate
- details of the available funding and process for further funding requests.

The information in this section should come from the cost insights of market research and from the iteration plan. It may also reference the change management section in the strategy to provide assurance around how cost estimates will be refined and managed at each stage.

Market approach

This section describes how the buying team will invite suppliers in the market to put forward their innovative solutions. It covers who will be invited, why this cohort has been selected, how suppliers will be communicated with and how the approach complies with policies.

There's no one-size-fits-all way of approaching the market. The best approach usually depends on the requirements and objectives, value, complexity, and timing of the procurement. It should also take into account the nature of the market itself, such as the level of competition, solution maturity, delivery capability and supplier appetite to participate in opportunities, as described in the Market analysis section below.

Each agency may have its own requirements for documenting the market approach, so buying teams should always consult their procurement teams.

Information to complete this section will come from the [innovation buying pathway](#) which would have been refined to reflect insights from market research and the [iteration plan](#).

Iteration and change management

This section of a buying strategy introduces the concept of procurement stages and iterations between them as a way of managing risk when there is uncertainty about the end solution. It explains what changes are likely and how they will be managed. It does not appear in standard procurement strategy templates, which focus on known solutions.

This section gives approvers confidence that testing stages will systematically uncover new information and use it to drive decisions that produce project outcomes and minimise risk. Approvers will also need comfort that changes arising from these decisions will be managed responsibly and transparently.

It should include:

- the aspects of the buying strategy that could change through iteration
- how each change will be managed (through approvals, consultation, information)
- how communications and governance will be handled.

This information should come directly from the [iteration plan ↗](#).

Market analysis

This section should describe the current state of the market as it relates to the buying objectives. It lays out the insights from the [market research step ↗](#) and the level of confidence in the evidence base for those insights. It is important to highlight the limits of market research, particularly in emerging markets, and outline how early assumptions might change at each stage of the procurement.

Supplier proposals, interactions and deliverables at each stage of testing can reveal new insights, challenge initial assumptions, and uncover previously unknown opportunities. By keeping the procurement strategy open to these changes and managing them carefully, buying teams can explore a broader range of solutions without prematurely narrowing down options or excluding technologies that could add unexpected value.

Market analysis may include insights into any of the following:

- products and services that could solve the problem
- technology trends across domains and categories
- maturity of potential solutions with respect to use cases
- position of a technology solution on the hype cycle
- business and commercial models, with upfront and ongoing costs and benefits
- level of competition vs niche or unique solutions/capabilities
- functional capability and usability
- technology extensibility and interoperability
- supplier capability and capacity to deliver a solution
- ease of implementation
- training or change management needs
- support and service levels
- ability of supplier to meet mandatory NSW Government requirements
- understanding of what opportunities are likely to motivate suppliers
- supplier financial position, commercial viability and other risk considerations.

Evaluation

This section should outline the criteria that will be used to evaluate proposals at a high level. Weightings, scoring methods and alignment with tender questions are addressed in the Define evaluation criteria step and generally not included in the buying strategy. However these evaluation techniques can influence the choice of high-level criteria, so they are worth considering at this documentation stage. Teams may also consider whether they will rely on rankings or want to apply thresholds for some criteria.

For multi-stage procurement, this section should outline how criteria will apply at each stage. Each stage along a buying pathway has a unique testing or engagement outcome, and evaluation against each stage outcome may require either different criteria or different levels of detail. [Read more about evaluation criteria ↗](#)

Buying teams should use this section to communicate that evaluation criteria may evolve as new information becomes available and as the buying team narrows down solutions. This section should also describe how changes will be managed with reference to the change management section.

The need for change can be minimised by following the Test and Buy Innovation (TBI) evaluation criteria guidance for outcome-based evaluation criteria. These help ensure solutions are assessed against the desired outcomes regardless of the stage of procurement. They provide flexibility by referencing requirements, which can evolve from one stage to the next, rather than having the requirements embedded into the criteria themselves.

This section should also distinguish between mandatory requirements (which must be met to qualify) and non-mandatory criteria (scored). It is good practice to justify any mandatory criteria and consider what might happen if they can't be met by any market participants. For example, if a mandatory requirement can't be met by any of the suppliers whose solutions look promising, would the buying team be willing to abandon the project altogether?

Key elements to include are:

- mandatory requirements, which are assessed as compliant/non-compliant and must be met for a proposal to progress
- non-mandatory criteria, which are scored and may cover pricing, functionality, and supplier capability
- an explanation of how criteria are expected to evolve across stages and how any changes will be managed.

Roles and responsibilities

This section identifies the stakeholders who may need to contribute to a buying project or who the project may impact. This section is not a substitute for genuine engagement with stakeholders. Before submitting a buying strategy for approval, all listed stakeholders should understand the project objectives and their role in the project. If impacted by the project, they should have had an opportunity to shape relevant aspects and should feel comfortable endorsing the project if asked.

Involving the right stakeholders as core team members or subject-matter experts at the right time saves time and improves outcomes. Test and Buy Innovation (TBI) guidance can help [identify the right stakeholders](#) and the ways they might contribute to an innovation buying project as well as how to get everyone working well together through [mobilisation ↗](#).

Subject-matter experts may need to join a core buying team to contribute to collective decision-making and attend regular meetings. Or the process may only need subject-matter experts for a specific step. This section should make the level of commitment clear.

As the understanding of solutions and suppliers improves through each stage, the type of expertise or oversight needed might change. For example, proposals could include unforeseen integration points, security risks or other technical complexities that would justify a new or increased commitment from technical experts.

Contract management

This section identifies the form of contract that will be used to enter into an agreement with a supplier for the provision of goods and services. Since the end solution is unknown for innovation buying projects, and the associated risks somewhat uncertain, it is not recommended to commit to a specific form of contract in a buying strategy. Nonetheless, contracting should be actively considered and planned for to maximise leverage, and approvers will want to see evidence of this.

This section should:

- identify the most likely form of contract for each procurement stage
- explain any uncertainty associated with the form of contract and how changes will be managed (with reference to the change management section)
- explain how suppliers will be informed about key contract terms to maximise leverage
- identify the future contract manager and project delivery team.

Buying teams can refer to [guidance on categories and contracting](#) ↗ for innovation procurement to understand how to approach this flexibly and iteratively.

Alignment with government policies

Buying strategies document both the tactics that will yield the best innovation outcomes and compliance with mandatory policies. This section is designed to provide assurance that the procurement strategy has addressed NSW Government policies.

Test and Buy Innovation guidance is focused on the supports buyers and procurement teams need to navigate and leverage existing policies to cut through complexity and improve procurement outcomes. It does not introduce new policies or change the policies that need to be complied with. Buying teams should continue to refer to the [NSW Procurement Policy Framework](#) ↗ to ensure they have identified all of the policies that apply to their buying project.

One innovation-specific consideration that can shape compliance is the selection of a buying category. As with contracting, innovation projects should avoid committing to a single buying category when the end solution is unknown. Locking in a buying category could limit the solutions proposed and restrict the segments of the market notified about an opportunity.

Instead, buying teams should indicate in this section:

- the most likely buying category

- how they will ensure compliance with any policies associated with that category
- how they will manage potential changes to the buying category and any compliance implications, with reference to the change management section.

Consultation with legal teams and agency-specific policy expertise may be required to complete this section.

Benefits

This section identifies the high level qualitative and quantitative benefits of solving a problem. It should outline the strategic business and delivery benefits anticipated from the procurement and implementation of the solution (with a focus on benefits of the problem being solved, as opposed to any specific solution).

Quantitative benefits may be financial and non-financial benefits, and may include:

- cost savings: ‘hard dollar’ savings that have a definitive bottom line impact to the agency
- reduction in volume
- savings from substitution
- cost avoidance, intangible savings e.g. process or administrative efficiencies
- improved quality, delivery, service, or innovation
- improved contract management or demand management.

Qualitative and secondary benefits may include:

- social procurement (e.g. of environmentally sustainable, gender-equitable, Aboriginal or disability employment organisations)
- economic benefits (e.g. of small businesses or local suppliers)
- public interest
- customer satisfaction
- employee engagement
- environmental outcomes
- health & wellbeing.

This information can be taken from the business case (or equivalent document such as project brief or project mandate).

Risk

This section should capture high procurement risks, as well as other key risks that might be anticipated as a result of new information, but not yet able to be assessed with confidence. Some agencies require a full risk assessment to be attached, which can be referenced in this section.

When dealing with more mature markets that might have solved similar problems before, buying teams can form a view of the technical risks that might apply and build controls into the market approach and evaluation process from the outset. For less mature markets or where the end solution is unknown, as is the case for innovation procurement, buying teams should expect to identify new risks at each stage, e.g. as proposals are received and more technical detail is available about potential solutions.

This section should identify the points at which emerging risks can be assessed throughout a multi-stage procurement, and how controls will be introduced. This section can refer to the change management section if necessary.

All NSW Government agencies are responsible for developing risk management frameworks, and they do so under the guidance of the [Risk Management Toolkit](#) ↗ managed by the NSW Treasury. Buying teams should always refer to their agency's risk management procedures in the first instance. This guidance does not override any agency-based guidance or anything in the NSW Treasury Risk Management Toolkit.

The point at which risk profile changes need to be escalated will vary between agencies and projects. Buying projects should define these escalation points up front.

Approvals

This section is used to capture signatures from the procurement and financial delegates, and any other approvers, to approve the procurement strategy. Some agencies capture approvals on a covering briefing note instead, in which case this section would not be used.

Resources

[Approach to categories and contracts](#) ↗

[Write innovation challenge guidelines](#) ↗

Explore Test and Buy Innovation

- [Get your procurement strategy approved](#) east
- [Stakeholder management](#) east ↗
- [Approach to categories and contracting](#) east
- [Write innovation challenge guidelines](#) east ↗

- [Buying pathwayeast ↗](#)
- [The innovation buying journeyeast ↗](#)
- [Learn about Test and Buy Innovation Programeast ↗](#)
- [Get help from Test and Buy Innovation advisoryeast ↗](#)

Understand and apply an agile framework

Bring agility to public sector procurement through iteration planning and defining an outcome-focused challenge statement.



Test, learn and adapt

Innovation buying teams using an outcomes-focused approach are open to a range of solutions and avoid making solution assumptions. This involves a lot of uncertainty, therefore they must structure a procurement approach to create certainty.

Embrace uncertainty with an agile approach

Agile delivery is a form of project management that accepts project teams can't know everything when they are planning. It is geared toward working, learning and adapting. Therefore it is well-suited to managing the uncertainty inherent in innovation procurement.

In a procurement context, agile methods can support innovation by:

- focusing on outcomes to help attract a range of innovative solutions

- managing uncertainty through multiple-stages of testing and evaluation.

An agile procurement framework designed specifically for the public sector underpins the Test and Buy innovation (TBI) model. It helps buying teams achieve obligations like transparency, fairness, value for money and compliance with procurement policies.

Iteration drives success

Change can occur in any procurement. The uncertainty of innovation, combined with the agile, iterative approach used to manage it, increases the likelihood of change. Project teams can use an iteration plan to anticipate when new information could emerge, what decisions might need to be made and how they will be governed and communicated.

TBI guidance presents an agile procurement framework fit for the public sector, and supports buying teams with practical steps to apply it through outcome-focused scoping and iteration plans that help anticipate and manage change.

Tools to apply agile procurement, plan iterations and build insights iteratively



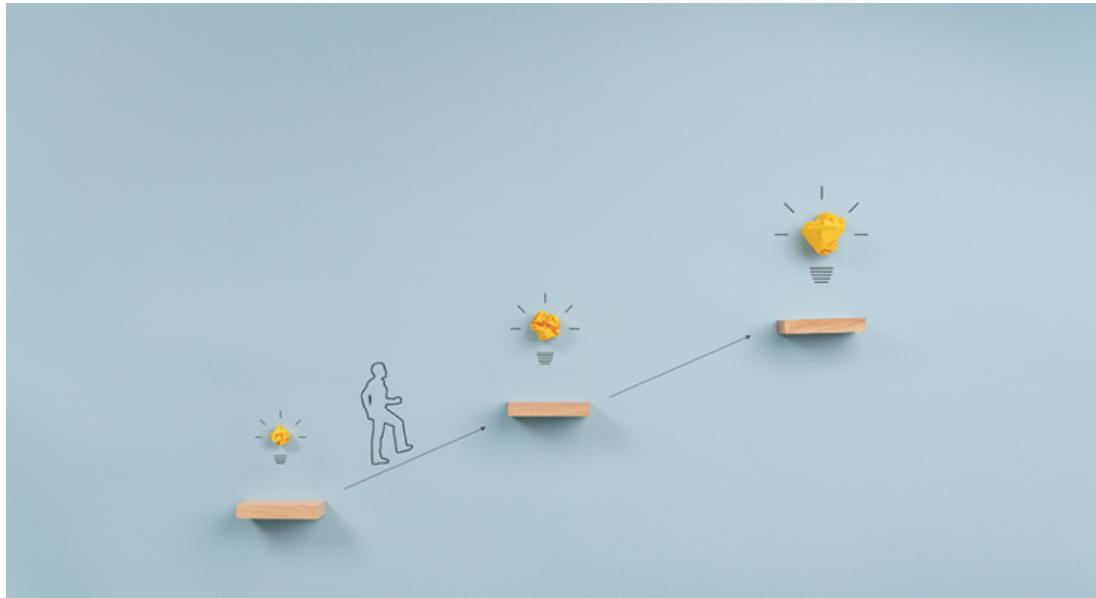
Agile procurement framework

Access agile method resources for project management and procurement.

- [Why use agile methodologies ↗](#)
- [When to establish an agile project ↗](#)
- [Agile principles and benefits](#)

- Agile buying for the public sector

[View more](#)

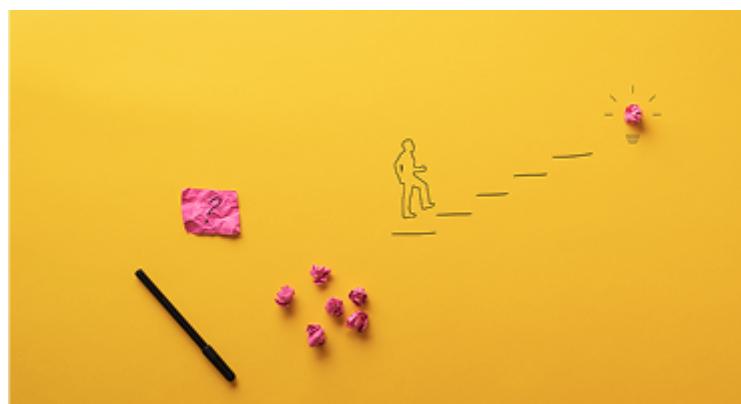


Develop your iteration plan

Learn how to apply an outcome focused, staged approach to your buying project.

- Why innovation buying strategies change ↗
- Changes to expect
- Governance of change
- A rough guide to stages

[View more](#)



Scope for innovation

Shape and define a challenge for the market to solve.

- Why to define innovation scope ↗

- When and how to scope for innovation ↗
- Key innovation scoping steps
- The risks of assuming the solution

[View more](#)

Explore Test and Buy Innovation

- Innovation eligibility checklist↗
- The innovation buying journey↗
- Stakeholder management↗
- Learn about Test and Buy Innovation Programme↗
- Get help from Test and Buy Innovation advisory↗

Get your procurement strategy approved

Document how your market approach will achieve buying objectives and comply with NSW Government procurement policies.



Bring clarity despite complexity

Tender documentation can be complex for both buyers and suppliers to navigate. This is even more true when buying innovation because the buying team is asking for approval to start the process of buying something, without knowing what the end solution is.

Clear communication to stakeholders

The Test and Buy Innovation guidance helps buying teams capture complex information in ways their most important stakeholders can understand. It provides templates, pro-forma wording and tips that help buying teams explain a complex procurement process to approvers and suppliers. It also helps buying teams give those stakeholders confidence that uncertainty will be managed responsibly.

The innovation challenge guidelines document ↗ is an important part of both internal and external stakeholder communication. It provides a plain English, visual outline of a complex process in a consistent format, capturing the most important procurement settings that approvers and suppliers want to understand quickly.

Plan your approach

The innovation buying strategy, or procurement plan, captures important decisions like buying category and form of contract. These sorts of decisions help manage risks, comply with policies, create leverage and protect outcomes. Since they can't be locked down while the end solution is unknown, buying teams face the challenge of planning for and documenting them in a way that still protects outcomes. Test and Buy Innovation guidance helps buying teams tackle these sorts of decisions and document them for buy-in and approval.

Planning the approach for categories and contracts should happen during the Plan phase after the Statement of Requirements and evaluation criteria have been documented. This step sets up the procurement strategy to be approved and transitioned into the Source phase. Approvers and suppliers require information about the buying category and form of agreement (contract) that will be used in a procurement. For this reason, it is important to determine the procurement strategy early and communicate what is most important to key audiences at each step of the multi-stage approach.

Carefully considered, clear and concise procurement strategy and challenge guideline documents are key to getting a strategy approved. The guidance below will help you plan and create these documents.

Tools to help communicate your procurement strategy and get it approved

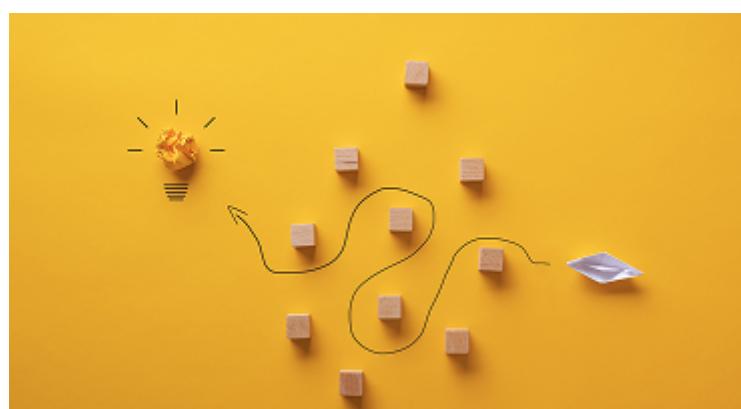


Category and contract approach

Deal with uncertainty in buying categories and contracting templates.

- When to undertake and who to involve ↗
- Stay open to possibilities ↗
- Maximise leverage despite flexibility ↗
- Adjustments ↗

[View more](#)



Write challenge guidelines

Concisely communicate key sections of the tender documentation in plain English.

- Why use Innovation challenge guidelines ↗
- Key document inclusions ↗
- Stakeholder communication ↗
- Managing iteration ↗

[View more](#)



Write procurement strategy

Deal with uncertainty and likely change in the procurement strategy template.

- Why develop a procurement strategy
- When to complete strategy documentation ↗
- Who to involve and why ↗
- Manage iteration and change ↗

[View more](#)

Explore Test and Buy Innovation

- Innovation eligibility checklist↗
- The innovation buying journey↗
- Stakeholder management↗

- [Buying pathwayeast](#)
- [Learn about Test and Buy Innovation Programeast ↗](#)
- [Get help from Test and Buy Innovation advisoryeast ↗](#)

Get ahead of probity and risk

Learn how to apply your agency's risk framework to an innovation buying project and navigate amplified probity risks.



Balance risk and reward

Buyers of innovation need a higher risk appetite than what is needed for a standard procurement. While taking certain risks can improve innovation outcomes, buying teams need to know which risks bring benefits and how to manage them carefully to minimise exposure and maximise benefits.

Risk and probity in innovation

Since risk is the impact of uncertainty on a project's objectives, risk management usually means reducing or eliminating uncertainty. Buying innovation requires a more agile approach that embraces uncertainty and systematically turns new ideas into value. Test and Buy Innovation (TBI) achieves this by breaking the big risk of uncertainty into smaller, more manageable risks that, over multiple stages, reduce uncertainty.

Probity is a key objective of government procurement policy. Agile procurement can appear to pose risks for probity, but the TBI model implements it with the public sector in mind. Buying teams should understand the potential for amplified probity risks and how to manage them while protecting innovation outcomes.

Apply to your project

The risks associated with uncertainty can feel overwhelming for those buying innovation for the first time. Taking risks is essential for discovering, testing and implementing innovative solutions, but buying teams may need to get buy-in to do this in risk-averse operating environments. Test and Buy Innovation guidance supports buying teams to access the right expertise, identify risks, know which ones are worth taking and manage them in a staged approach without blocking innovation.

Some probity-related risks are amplified by the more collaborative nature of innovation procurement, and the need for iteration. Governance of change and communication are important treatments for these risks. One way of setting up an innovation buying project for fairness and transparency is the use of concise communication with the market via plain English documents such as the [Innovation Challenge Guidelines ↗](#).

TBI guidance helps buying teams apply risk frameworks and manage probity to outcome-focused, multi-stage innovation buying projects.

Tools to manage innovation buying risk, probity and communicate simple challenge guidelines



Manage innovation buying risk

Apply your agency's risk framework to an innovation buying project.

- [Why apply risk management](#)
- [When to apply risk management ↗](#)
- [Key risk concepts ↗](#)
- [Worked risk examples](#)

[View more](#)

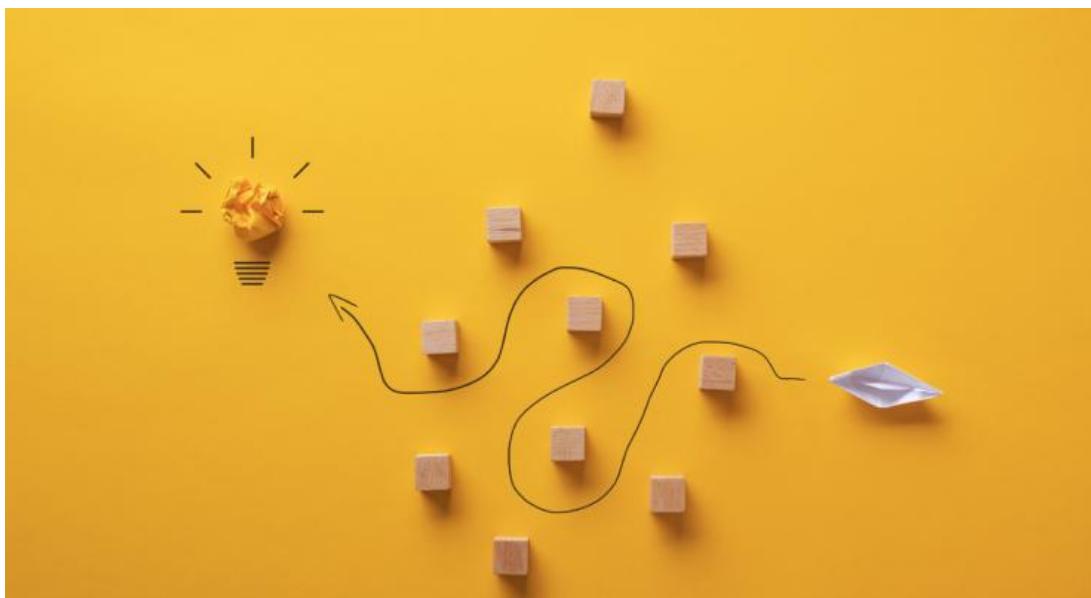


Probitity when buying innovation

Protect practices that foster innovation while navigating treatments for probity risk.

- Why probity matters
- When to consider probity ↗
- Amplified probity risk
- Probitity risk treatments

[View more](#)



Write challenge guidelines

Concisely communicate key sections of the tender documents in plain English.

- Why use Innovation challenge guidelines ↗
- Key document inclusions ↗
- Stakeholder communication ↗
- Manage iteration ↗

[View more](#)

Explore Test and Buy Innovation

- Innovation eligibility checklist↗
- The innovation buying journey↗

- Stakeholder management [east](#)
- Learn about Test and Buy Innovation Program [east](#) ↗
- Get help from Test and Buy Innovation advisory [east](#) ↗

Align your need with strategy

Discover whether a need should be addressed and, if so, how to approach it.



This page explains why and when to align a need with strategy, outlines the key steps and helps potential buyers access expertise.

Why and when to align a need with strategy

Before approaching the market, a potential buyer should consider whether the effort of solving the need is aligned with strategy. This involves determining whether solving the problem serves the agency's strategic goals or fits with its priorities. Teams might be working on solving the same problem elsewhere, or the problem is being tackled at an all-of-government strategic level.

Strategic alignment should be undertaken at the Qualify phase, before undertaking a Discovery activity to validate and scope the need, or before engaging the market.

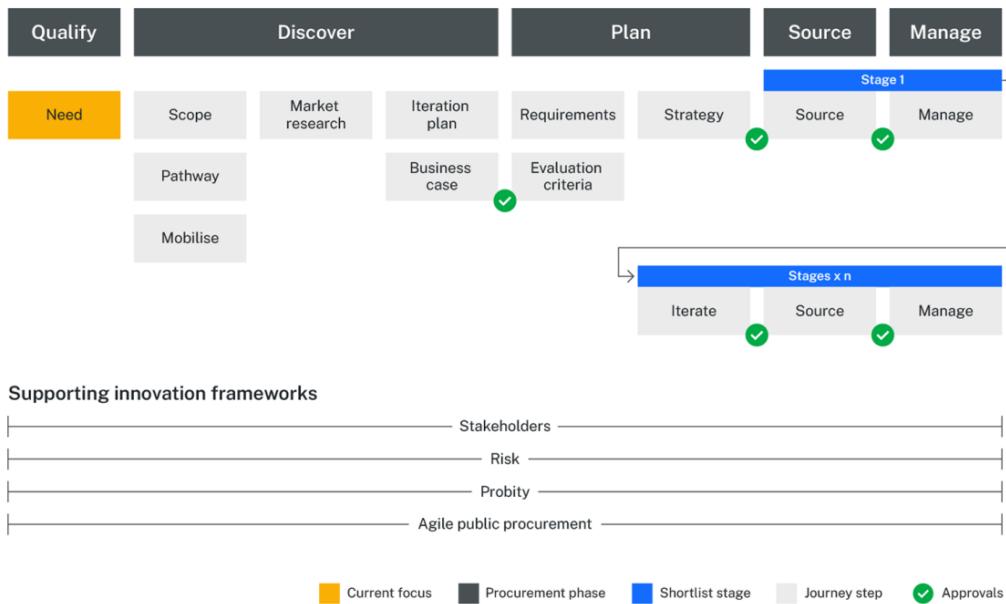


Image 1: Strategic alignment should be undertaken once a need has been identified at the Qualify phase before engaging the market in the Discover phase.

Who to involve

ICT strategy professionals continuously scan the market so they can keep up to date with technology trends, competitive analysis, emerging technologies, new products in market, and both current supplier solution capability and their future roadmaps.

Strategy professionals and ICT procurement category specialists may also provide advice on:

- regulatory technology (RegTech) domain ethical risks and mitigants
- ICT market scanning outsourcing options
- ICT market domain knowledge
- known solutions, pros and cons
- outcomes of previous approaches to market
- tactics for innovation buying pathways.

Once a prospective buyer has consulted strategy professionals and subject-matter experts, they will gain a better understanding of whether they should progress with addressing the need, and if it qualifies, for an innovation buying approach.

How to assess a need

When a problem arises, it's important to determine the needs that are contributing to the issue at a high level. This involves a basic understanding of what is lacking or not working properly and setting rough goals and outcomes.

Buying teams should form a solution hypothesis by engaging with subject-matter experts and strategy professionals. The hypothesis should not be a [solution assumption](#), but an initial estimate of possible solutions to inform strategic alignment and market research activities.

Should your need [qualify as an innovation buying project ↗](#), you can undertake a [Discovery activity ↗](#) for a deeper understanding of the problem and value of solving, and refine more concrete goals and desired project outcomes.

Expand the dropdown boxes below to learn how needs relate to problem-solving:

[Expand all](#)

[Collapse all](#)

Step 1. Identify the need and why you should solve it

A need may arise when someone undertakes a periodic review to determine if a solution is still fit for purpose and providing value for money. This review is an opportunity to consider if there are any problems that must be addressed.

Needs may be uncovered by a business owner at any point during business operation. Needs can include improvement opportunities for user experience, support, resource availability and competency. They could also be fixes for bugs, faults and technical issues.

In alignment with wider agency and government strategies, ICT/digital needs such as transformation, consolidation, expansion or retooling may be identified.

If the problem is industry or NSW government wide, it's crucial to understand why the market has failed to address it. Use evidence to justify why your agency should attempt to address this need.

Step 2. Set rough goals

The outcome is a description of a great future where your needs have been met. To help imagine a future state and identify what goals will help you achieve your desired outcome, ask yourself these prompting questions:

- What would your stakeholders be doing, seeing, thinking and feeling differently from today?
- What would a great operating environment look like?
- How will you know when you have been successful?
- How would you benchmark your success from the current state to the future state?

At this early point in your journey, your answers to these questions will be quite high level, need validation with your stakeholders and may change.

Learn techniques that bring stakeholders along on the journey to **shape and define goals, outcomes and success measures**.

Step 3. Find out if the need is already being addressed

Engage relevant strategy professionals and experts in the ICT/digital/product and technical domains to gain an awareness of:

- inflight or planned projects seeking to solve the same problem
- whether the problem is aligned to the NSW Government strategic priorities
- whether the problem or solutions are on a roadmap
- whether the problem should be solved
- whether the problem is worth solving
- whether problem has already been solved elsewhere in the NSW Government
- existing supplier capability within the NSW Government that can be expanded to support new use cases.

The [NSW Digital Strategy](#) identifies priority missions and digital commitments that set the strategic direction for the NSW Government. The [NSW State Digital Assets Reuse Policy](#) mandates agencies to reuse what is already available.

Step 4. Develop a solution hypothesis

Brainstorm ideas about what could address your needs to form [a hypothesis about solutions](#). This may involve technology, professional services, contract labour or other possibilities. To build out your hypothesis, you should:

- outline problem and solution possibilities to align with ICT/digital strategy
 - The [NSW Digital Strategy](#) identifies priority missions and digital commitments that set the direction for the NSW Government.
 - Agency digital strategies address their specific functions and technology needs.
- discuss ICT solution possibilities with an ICT procurement category specialist.
- check with subject-matter experts across a diverse set of expertise (e.g. data privacy, enterprise architecture, cybersecurity).

It's unlikely that even the most knowledgeable ICT strategist or specialist is across every new or emergent technology domain and capability. Solution possibilities should therefore remain as a hypothesis at this stage. [Assuming a solution too early](#) can lock out innovation.

When the solution is unknown, there might be multiple solutions to the problem, or the market is evolving quickly, it's a good idea to first check the [Test and Buy Innovation eligibility checklist ↗](#) to see if the need might qualify as innovation.

Getting started

[Risk of assuming the solution ↗](#)

[Develop a solution hypothesis ↗](#)

[Innovation eligibility checklist ↗](#)

[Buy, build or borrow ↗](#)

[Scope for innovation](#)

Resources to align your need with strategy

[Innovation eligibility](#)

Discover our definition of innovation and check if your buying project qualifies.

east

[Risk of assuming the solution](#)

Learn the risks of assuming the solution, and value of an outcome focused buying approach.

east

[Buy, build or borrow?](#)

Consider the key questions to ask and the pros and cons of buying, building or borrowing.

east

Explore Test and Buy Innovation

- [Risk of assuming the solution](#)east ↗
- [Innovation eligibility](#)east ↗
- [Scope for innovation](#)east ↗
- [Set up for success](#)east ↗
- [Conduct market research](#)east ↗

- [Buy, build or borroweast](#)
- [Get help from Test and Buy Innovation advisoryeast ↗](#)
- [The innovation buying journeyeast ↗](#)
- [Learn about Test and Buy Innovation Programmeeast ↗](#)

Staged approach to business cases

Build a case for change in a way that aligns with procurement stages, focusing first on the problem and benefits of solving it, and later on solutions and costs.

A stage-based approach to business cases

Having an approved business case (sometimes called a project mandate) gives both buying teams and suppliers confidence that an initiative can proceed. There are three distinct stages involved in building this confidence:

- the case for change
- strategic alignment, including with digital strategies and enterprise architecture
- costs and benefits of investment.

In some agencies, buying teams will need a business case (or equivalent) approved before they can commit funds or approach the market. Regardless of whether it is required, a well-documented business case can help drive project success. For innovation, however, aiming to have a complete business case too early can introduce significant risks.

Focus on a strong case for change to support a market approach

Agencies can support innovation by approaching business cases in a staged way. The [NSW Business Case Guidelines](#) identify three stages, which can act as a guide for how to approach business cases. These guidelines are useful regardless of whether a project exceeds the threshold to require them. The stages are:

- **Strategic assessment:** a short document which identifies the problem or opportunity, establishes that addressing the problem or opportunity is a government priority and supports the decision to invest in preparing a business case.
- **Preliminary business case:** tests the case for investment and narrows down options to a shortlist for detailed examination in a full business case. It may be used to seek funding to prepare a full business case for large or complex projects.
- **Full business case:** identifies a preferred option and supports a government investment decision. This may be subject to conditions and further approvals on a case by case basis.

See how these business case stages align with [innovation procurement stages](#)

Before approaching the market, buying teams should have an approved 'problem definition' regardless of whether it is required by the agency. Seeking approval or endorsement is a useful way to round out stakeholder consultation, ensuring there is an opportunity to review the problem definition and the benefits of solving it. It's a chance to get a shared understanding that the problem is worth solving before time and resources are committed to the market approach.

Approval of 'problem definition' would generally unlock 'seed funding', which is used to analyse options and refine the case for change. When buying innovation, market research and the challenge-based market approach uncover the options, and the seed funding covers testing stages that help narrow down solutions.

There are risks to innovation outcomes when project teams are pushed into detailed and complete business cases without a market approach. Firstly the project team is more likely to jump to conclusions about potential solutions, missing the latest technology or expertise in the market. Secondly the market approach is likely to be more solution-focused and less open to innovation. As a result, the risk of the end solution not adequately solving the problem is higher.

Focus on digital strategy alignment to narrow down the options

After a market approach, once proposals have been received, buying teams should engage ICT subject-matter experts in evaluating solutions. Part of the evaluation should include an assessment of how proposed solutions fit within:

- the existing enterprise architecture and systems already in place
- existing agreements
- the forwards-looking digital strategy.

Some agencies have a formal governance structure to confirm alignment of proposed ICT solutions. Sometimes buying teams must have the approval of the governing body to implement new technology or even before approaching the market. Where this is the case, the governance process should be adjusted for innovation, given the final solution is unknown.

Contributions of ICT subject-matter experts and/or governing bodies should consider adapting to facilitate innovation as follows:

- **Before the market approach:** Endorse the problem statement and case for change, become familiar with the initiative and contribute to market insights.
- **Once initial proposals are received:** Advise how the proposed solutions might fit into enterprise architecture and digital strategies. Advise on or approve the design of testing

stages to ensure the right information is requested of suppliers. May endorse solution shortlisting.

- **Once detailed information has been obtained from suppliers and the preferred solutions tested:** Formally assess and approve a purchase and implementation.

Before the final implementation, the buyer can weigh all benefits up against actual costs to determine whether implementation should proceed. They can be confident in the fact that the business case is based on the latest market expertise and the most effective way to solve a problem.

A staged approach to evaluating benefits and costs

When buying innovation over multiple procurement stages, evaluation during the initial approach should focus on achieving benefits. At these early stages, cost should either not be assessed, not be heavily weighted or focus only on the testing stage that follows. With this in mind, it can still be helpful to request indicative costs or commercial model information to:

- help allocate budget
- determine overall affordability.

A full value for money assessment should occur later in the process, when there is a shortlist of solutions the buying team is confident can solve the problem well. Read more about [staged evaluation](#).

Resources

[Staged approach to budgets](#)

Explore Test and Buy Innovation

- Build evidence for your case for changeeast
- Staged approach to budgetseast
- Scope for innovationeast
- Set up for successeast
- Conduct market researcheast
- Buying pathwayeast
- Get help from Test and Buy Innovation advisoryeast ↗

- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programmeast ↗

Align the buying team

Align your core buying team through a kick-off workshop.

Hold a buying team kick-off workshop

The buying team should understand the project at this point and be ready to find the best ways to work together.

This third mobilisation milestone involves engaging subject-matter experts (SMEs), holding a kick-off workshop to define your ways of working, governance, and reporting structures (estimated 1 - 2 hours*).

*Duration will vary with project complexity and resource availability.

Complete the last mobilisation milestone through a workshop to establish the process and practices that will drive project success. This milestone is about ensuring the effectiveness, sustainability and transparency of your work.

Success for ‘align the buying team’ milestone looks like:

- documentation of the work you’ve proposed, as a single source of truth
- project management plan
- key stakeholder roles, accountabilities, responsibilities, and people captured in a Responsible, Accountable, Contributor and Informed (RACI) matrix
- governance structure and stakeholder engagement matrix that identifies stakeholder levels of interest and influence, frequency and how they should be engaged
- approach, deliverables, milestones and timelines established
- meeting cadence agreed
- tools and ways of working agreed
- risk and controls identified.

Who to involve in this milestone

Expand the headings below to read more about how this guide supports each of the roles involved in this milestone.

Expand all

Collapse all

Buyer

This guide supports buyers, product owners or project managers to conduct a core team mobilisation workshop that aligns core team on:

- the business objective, desired business outcome, milestones and timelines
- align the core team on expectations, deliverables, ways of working, tools and cadence
- align on stakeholder roles and responsibilities, governance and engagement plan
- identify additional key subject-matter experts
- uncover assumptions, questions, gaps and risk mitigants.

Learn more about buying project [stakeholder roles](#).

Procurement officer

This guide supports procurement officers to conduct a core team mobilisation workshop that aligns core team on:

- the business objective, desired business outcome, milestones and timelines
- align the core team on expectations, deliverables, ways of working, tools and cadence
- align on stakeholder roles and responsibilities, governance and engagement plan
- identify additional key subject-matter experts (SMEs)
- uncover assumptions, questions, gaps and risk mitigants.

Learn more about buying project [stakeholder roles](#).

Subject-matter experts

Core team subject-matter experts (SMEs) may include ICT, digital, risk, innovation, probity and/or legal stakeholder roles. SMEs should:

- contribute to the core team mobilisation workshop
- understand the business objective and desired business outcome, anticipated stages, activities and timelines
- agree to ways of working and cadence
- contribute to stakeholder roles and responsibilities, governance and engagement plan
- identify other key SMEs that should be engaged
- identify approvers
- identify gaps and risk mitigants
- challenge assumptions and ask questions.

Learn more about the types of SMEs and how they contribute to the success of the buying project ↗.

Tips for aligning your team

A foundational kick-off session is a great way to initiate a buying project. Consider the top five tips to align cross-functional teams listed below:

[Expand all](#)

[Collapse all](#)

Communicate your purpose and strategy from the top down

Aligning your buying team begins with establishing and articulating the outcome you want to achieve and your business objectives. The goal is to translate how the overall NSW Government priorities apply to the buying team and individuals in it.

Tie individual contributions to desired outcomes

Sketch out different roles in the team and establish how they contribute to the team vision.

Encourage peer-to-peer collaboration

Promote collaborative teams. Reward teamwork and encourage trust and accountability among team members. Business interests should be represented on all engagements.

Celebrate team wins

Recognise individuals regularly, encourage peer to peer recognition and host celebrations of success. When recognising individuals and team accomplishments, tie them to wider organisational strategies to drive home the impact they have on NSW Government purpose.

Use a collaborative planning process

Build the right processes and implement the right tools for team alignment to thrive. Using a collaborative planning process can help you get all the information you need to combine bottom-up tactical planning with top-down strategy. Involving teams early on will help you with engagement and close the communication gap between leadership, key stakeholders, subject-matter experts (SMEs) and buying teams.

Kick-off workshop templates

Find below resources to support you to conduct mobilisation kick-offs.

As these resources are undergoing testing, they are available on request for guided use along with the Test and Buy Innovation (TBI) advisory team. This ensures that the guides can tailor to project needs and incorporate any improvements.

To access the Mobilisation workshop guide and template resources, if you need help to make your workshop more accessible or engage resources to lead this activity, please contact the Test and Buy Innovation advisory team at InnovationProcurement@customerservice.nsw.gov.au. If you have any trouble accessing a file or document on this page, you can request an accessible version from the same email address.

Mobilisation kick-off template 1: ways of working

Estimated duration: 20 mins (will vary with project complexity and resource availability).

Agenda

- set overall expectations for team members
- what tools will we use to collaborate effectively
- agree cadence, key dates and ceremonies.

Resources

[Mobilisation kick-off ways of working template](#).

Mobilisation kick-off template 2: team charter

Estimated duration: 20 mins (will vary with project complexity and resource availability).

Agenda

- how to get the most from each other
- what team members expect of each other to become a successful team
- what could prevent the team from reaching its goal
- what will team members do when things go wrong.

Resources

[Mobilisation kick-off team charter template](#).

Mobilisation kick-off template 3: roles, responsibilities, key tasks and time committed

Estimated duration: 20–30 mins (will vary with project complexity and resource availability).

Agenda

- RACI, governance structure and stakeholder engagement matrix updated from Milestone 1 Template 3

- key stakeholder gaps identified
- team member roles, key tasks, and time committed to the project socialised
- key resource/skill gaps identified.

Resources

[Mobilisation kick-off project roles and responsibilities template ↗](#).

Learn more about the types of SMEs, and how they contribute to the success of the buying project [↗](#).

Mobilisation kick-off template 4: risks, assumptions, and questions

Estimated duration: 20–30 mins (will vary with project complexity and resource availability).

Agenda

- set overall expectations for team members
- what tools will we use to collaborate effectively
- agree cadence, key dates and ceremonies.

Resources

[Mobilisation kick-off risk mitigants, assumptions and questions template ↗](#).

Next mobilisation milestone

Now it's time to undertake innovation scoping, define the challenge statement, and start work on the documentation and approval of the Statement of Requirements, the briefing note and the procurement strategy and plan.

Explore Test and Buy Innovation

- Define the buying project [east](#)
- Organise people [east](#)
- Stakeholder management [east](#)
- Key mobilisation milestones [east](#)
- Mobilise your buying team [east](#)
- Set up for success [east](#)
- The innovation buying journey [east](#)
- Learn about Test and Buy Innovation Programme [↗](#)

- Get help from Test and Buy Innovation advisoryeast ↗

Sources of market information

Understand the range of market information sources, how to make the most of them and when to share insights with others.

This page guides buying teams through the sources of market insight and how to weigh up their validity. It also explains provisions that support the sharing of market insight between agencies and other jurisdictions. It builds on the industry engagement guidance provided on [buy NSW](#).

Buying teams can choose between many information sources to learn about suppliers, products, services, an emerging technology or ways of solving problems. Each information source contributes to different types of insights, and each comes with a unique set of strengths to consider, and risks to manage.

Using a range of information sources helps understand the market and choose a procurement approach that will reach the right suppliers and attract the most relevant responses.

External sources of market information

When using, or planning to use, external market sources of market information, buying teams should carefully consider:

- **Probitity:** Suppliers involved in market research do not need to be automatically excluded from a procurement arising from the research. Buying teams will need to ensure there is no actual or perceived advantage for the supplier involved in market research, for example through releasing market research outputs as part of the tender. Buying teams should ensure that suppliers have clear expectations about any commitments arising from their involvement. Any interactions with suppliers need to be well documented.
- **Confidentiality or privacy:** Buying teams will need to assess the level of confidentiality of any information or data they share with suppliers as part of market research. They may consider asking suppliers to sign confidentiality agreements or agreements to manage data or information in a specific way.

Expand the headings below to learn more about how each source can help and risks to manage.

Expand allCollapse all

Market sounding or discussions with relevant suppliers

Market sounding ↗ involves floating an idea with the market to get feedback before formally approaching suppliers with a request for tender or quote. When buying innovation, consider floating the challenge statement or proposed procurement pathways. This helps refine ideas before you finalise the procurement strategy.

Market soundings can take various forms, including requests for written responses, discussions with eligible suppliers or structured question and answer sessions.

Can help with

- Opportunity to provide consistent information to all eligible suppliers.
- Improving the industry's understanding of the government needs.
- Understanding of the market without commitment to suppliers, including whether a competitive market exists.
- Getting a preview of how suppliers might work with us.
- Refining scope before publishing an opportunity, for a more achievable, more specific or clearer statement of requirements or problem definition.
- Understanding the feasibility of, or getting feedback on, the procurement approach.
- Understanding potential solution categories and capabilities.

Risks to manage

- May limit competitive insight to more established suppliers or 'the usual suspects' depending on channels used to reach suppliers.
- If working with a limited group, may create a perception of unfairness.
- Suppliers are likely to focus on their solutions while buying teams will need to refocus the activity on the procurement activity's viability.
- Suppliers will want assurance that their intellectual property will be protected.

Peak industry bodies and events

Approaching peak industry bodies (and potentially their members) can be a more targeted way to run a market sounding. This information source has all the same pros and cons as market sounding, with some additional ones below.

Can help with

- Understanding recent innovations and advancements.
- Knowledge of and access to emerging technology providers and SMEs.
- Raising awareness of upcoming opportunities with emerging technology providers and SMEs.

Risks to manage

- Insights may be biased or a conflict of interest may arise, depending on the organisation(s) sponsoring or running the peak body.
- The peak body may have selective membership, enhancing the perception of unfairness.

Academia

Universities or other academic institutions may have research strengths and intellectual capital that align with the challenge area or technology types. Access to intelligence could be supported through a range of mechanisms, such as informal conversations, commissioned research and development, grant programs, co-design or collaborative partnerships, bringing in researchers through professional service agreements, purchasing research material directly or leveraging existing research or innovation networks. Examples of these networks in NSW include:

- Connectivity Innovation Network
- Transport for NSW Research Hub

Can help with

- Access to research findings and data in peer-reviewed journals and other sources that may not be readily available to buying teams.
- Access to research methods that can uncover new information or connect related information.
- Access to specialised knowledge, data or information to help define a previously unknown problem.

Risks to manage

- Academic institutions and researchers will want assurance that their intellectual property will be protected and may require a commercial agreement and consideration of how information needs to be managed.
- Buying teams may need to put boundaries or constraints on the duration and cost of academic research activities. This typically takes place over longer time periods than projects may be able to accommodate.
- Buying teams should be aware of any other motivating factors or funding sources driving the research that could create biases or conflicts of interest.

Market intelligence scanner/aggregator

Some organisations take on the role of conducting market research and scanning the market for appropriate solutions and providers, on behalf of government. The services provided can include:

- access to a database of solutions, capabilities or categories
- analysis of the database and recommendations based on project objectives
- insights into how well suppliers have performed in procurements
- insights into how similar problems have been solved.

Can help with

- Getting insights quickly when facing limited time or resource constraints.
- Access to knowledge of significant numbers of innovative solutions and suppliers.
- Access to insights based on direct experience and/or active engagement with suppliers.

Risks to manage

- Buying teams will need to consider if the cost of the service represents value for the project, considering innovation objectives and the risks of inadequate market research.
- There is potential for a conflict of interest depending on the operating and commercial model of the service.
- Buying teams may not have the option to be selective about the parts of the service offering they engage.

Discovery research services

Some organisations provide research services to support project teams in the Discover phase. They can help understand the challenge space, the key stakeholders and validate the value of solving a challenge before the team is committed to a buying project. Due to their experience and insights, they may have a point of view on which challenges Government should be focused on. They may also be able to fill knowledge gaps and share what problems or solutions other jurisdictions and organisations are working on.

Can help with

- Access to research methods that can uncover the latest information or connect related information.
- Getting insights quickly when facing limited time or resource constraints.
- May include service to help shape a problem statement.
- Building confidence that a project is focused on the right problem, has defined it thoroughly or that it is worth solving.

Risks to manage

- Buying teams will need to consider if the cost of the service represents value for the project, considering innovation objectives and the risks of inadequate market research.
- There is potential for biased findings depending on the operating and commercial model of the service.
- Buying teams may not have the option to be selective about the parts of the service offering they engage.
- Researchers may want assurance that their intellectual property will be protected.

Research organisations

Some organisations provide access to market research, often through a subscription model. Services include access to market and trend reports for various solution categories. Reports can also be commissioned for specific research or consulting services. Research organisations provide clear frameworks and expectations, outlining the value you can gain from their services. They may make a limited amount of information freely available.

Can help with

- Up to date competitive information for mature solutions across several categories and shaping evaluation criteria to align with insights.
- Market scanning and recommendations for less mature products.
- Can undertake primary research in areas where information is limited, such as emerging technology or less mature markets, or applications of technology to new use cases.
- Can provide consulting services to support market analysis.
- High awareness of the hype cycle for innovation and merging technology.

Risks to manage

- Accessing services can be costly, often via subscriptions.
- There is potential for bias in information depending on the operating and commercial model of the service.
- May put forward solutions in foreign jurisdictions that may not meet NSW Government data and privacy requirements.
- Innovative solution providers and approaches may not yet be on the researchers' radar.
- Insights from the client are likely to be folded back into the knowledge base and sold on to other clients.

Accelerators

Accelerators can be run by government agencies or outside of NSW Government. They offer a range of services that help take a problem through the ‘double-diamond’ design stages of discover, define, develop and deliver. Project teams can usually choose how much of the accelerator’s services they take up.

Accelerators generally work collaboratively with key people to understand the business need. They then support project teams and other stakeholders, often through co-design, to define the challenge, success criteria and outcomes.

Accelerators might build the solution themselves or run engagements to find out how others would build it (e.g. hackathons), before taking the solution hypothesis through several stages of design.

Can help with

- Undertaking a time-boxed discovery that may include primary research, problem definition, challenge framing, ideation, prototyping and testing or validation.
- Iterating and testing a solution hypothesis.
- Developing a Minimum Viable Product (MVP) and testing via pilot or trial.
- Can speed up discovery processes and outcomes compared to internal project delivery due to time-boxed methods.
- Identifying the case for change.
- Validating change readiness of key end users by actively engaging them in the methodology.
- Getting insights quickly when facing limited time or resource constraints.

Risks to manage

- Buying teams will need to understand the methods used to select participants. It may not be possible to implement the solution at scale unless the value for money or fitness for purpose of the output can be tested against other solutions in the market.
- Buying teams will need to set clear requirements around how the stages of design will interact with procurement. This is to avoid a scenario where a solution is designed when a market approach would have been more appropriate and to ensure compliance with procurement requirements.
- Options for ongoing support of the solution may be limited.
- There is potential for bias or conflicts of interest depending on the operating and commercial model of the service.
- Buying teams will need to consider if the cost of the accelerator service represents value for the project, considering innovation objectives and the risks of inadequate market research.

Supplier showcases and demonstrations

Many suppliers offer showcases and demonstrations to build awareness of their solutions. Showcases can take the form of large, planned events, such as sales conferences, usually run by large and well-established suppliers. Demonstrations can often be smaller and more ad-hoc, based on approaches by suppliers with a specific product.

Showcases can sometimes be hosted or sponsored internally to NSW Government, for example through themed NSW Government events or to raise awareness of suppliers within a buying category or as part of a supplier panel.

Can help with

- Assessing functionality, usability and case for change for low cost or no cost.
- Learning about customer success stories and case studies.
- Engagement with suppliers in a standalone event without commitment to procurement.
- Boosting engagement with suppliers to better understand their value propositions.
- Gathering evidence to support procurement strategy, including direct negotiation or limited tenders.
- Resource availability – easy access to people who can answer questions, provide insights and link up to relevant specialists for the project scope.

Risks to manage

- Working with a limited group may create a perception of unfairness.
- Potential for participation to be limited to known or established suppliers, the ‘usual suspects’ as innovative suppliers may not engage with standard government channels.
- Buying team will need to carefully consider which suppliers are invited to showcases or demonstrations to ensure fair opportunity for market participants and a range of solutions.

Industry events

Events run by industry organisations differ from supplier showcases in that they focus on broad trends rather than sales. They generally have a wider cross-section of supplier participation. Speakers and topics tend to focus on a domain, category or theme. They will often share success stories or other evidence of how the industry domain is performing.

Can help with

- Learning about a range of suppliers and solutions in one or more categories.
- Assessing functionality, usability and case for change.
- Learning about customer success stories and case studies.

- Gathering evidence to support procurement strategy, including direct negotiation or limited tenders.
- Resource availability – easy access to people who can answer questions, provide insights and link up to relevant specialists for the project scope.

Risks to manage

- Depending on the event organisers, sponsors and invitees, information may be biased or there may be conflicts of interest that have not been disclosed.
- May not consider other competitive suppliers and solutions available in the market.

Other government agencies or jurisdictions

Other government agencies within and outside of NSW are an important source of market insights. They may have solved a similar problem before and have experience scaling a solution. They may also understand market trends and supplier capability within their jurisdiction. Some of this information, as well as insights into methods and ways of working, may be publicly available. For more detailed walkthroughs, buying teams should leverage contacts and networks.

Can help with

- Learning what else has worked in the public sector across similar use cases.
- Finding proven technology to apply to a different use case.
- Taking advantage of existing contract arrangements.

Risks to manage

- Information may not be publicly available and therefore difficult to find.
- Suppliers may not have been informed that their information would be shared with other agencies and therefore may need to consent.

Expression of Interest or Request for Information

You can invite suppliers to an Expression of Interest (EoI) to find out whether suppliers are interested in, and capable of, undertaking the specific work (in the case of innovation – solving a problem). Typically, an EoI only elicits responses to a broad set of criteria and doesn't result in the awarding of a contract.

Learn more about EoI in the [Traditional market approaches guide](#).

A Request for Information (RFI) is like an EOI, but might not be tied to a procurement opportunity. It can be used to gather information from suppliers to better understand capabilities, commercial models, maturity and the state of competition in the market. This allows buying teams to refine a procurement approach.

Both EOI and RFI engagements can include more interactive components, such as a briefing to the market about the problem to be solved, question and answer (Q&A) sessions or supplier presentations (also known as demonstrations or pitches).

If using an EOI or RFI, buying teams should aim to attract innovative ideas by framing the opportunity in terms of outcome, e.g. as a challenge statement. To keep the barrier to entry low, the detail requested of suppliers should be light, with a focus on how a proposed solution solves a challenge. More detailed responses and deliverables can be introduced when potential solutions are understood, with a smaller number of suppliers participating.

Can help with

- Understanding the range of possible solutions that could solve a challenge.
- Improving understanding of the supply market and including maturity to help formulate a procurement strategy.
- Signalling future opportunities to suppliers that may follow the EOI or RFI.
- Assessing appetite of suppliers to participate in a tender.
- Getting feedback on the proposed market approach.
- Getting indicative pricing or understanding commercial models to help with budgets and business cases.
- Short-listing potential suppliers and inviting them to a limited tender.

Risks to manage

- Insights from an EOI or RFI can be limited if the challenge is not well defined or mandatory requirements and evaluation criteria are not indicated.
- Suppliers will want assurance that their intellectual property will be protected.
- Suppliers may be hesitant to invest time in a submission if there is a low chance of it leading to a contract, or if it could shape a future procurement.
- Indicative pricing information might not be readily available for less mature solutions.
- If running engagement events, suppliers may be hesitant to reveal their participation or their solutions in the presence of competitors.

Pre-tender or tender briefings give potential suppliers a better chance to understand your requirements. These are particularly valuable for challenge-based market approaches, which may be less familiar to suppliers. Challenges can be brought to life through presentations from business functions or end users.

Suppliers will get the most value from a briefing if tender documentation is released before the briefing is held. This allows them to ask meaningful questions during the session. The briefing format should ensure all suppliers have equal access to information.

Read more about [notifying and briefing the market ↗](#).

Can help with

- Understanding what questions suppliers have and the level of detail they need for a robust proposal.
- Responding to questions and/or adjusting tender documentation if information gaps are uncovered by issuing an addendum to the tender.
- Bringing a challenge to life for suppliers and providing direct access to subject-matter experts.
- Providing consistent information to all suppliers.
- Getting feedback on the market approach.

Risks to manage

- Does not provide an opportunity to ask suppliers questions about solutions.
- Requires good preparation of potential questions from suppliers and approved answers.
- May need to take some questions on notice and respond via an addendum to a tender.

Interactive procurement activities

Procurement plans generally include activities that involve interaction with suppliers. A tender briefing, supplier questions and clarifications are the common, minimum activities. It is highly recommended that innovation buying teams make these more interactive than is standard practice. Buying teams can bring user stories to life, include business functions in supplier briefings, allow live questions and answers, make time for co-design between suppliers and users and invite suppliers to demonstrations, pitches or Proofs of Concept.

Can help with

- Opportunity for a thorough Q&A session.
- Opportunity to provide consistent information to all suppliers.

- Opportunity to bring challenges to life and improve supplier understanding and therefore the quality of their responses for more accurate evaluation.
- Assessing the appetite of suppliers to participate and understand users.
- Boosting engagement with suppliers to better understand their value propositions through low value contracts as part of a multi-stage procurement.
- Opportunity to assess maturity of solutions and supplier capabilities.
- Ability to test and learn before committing to implement at scale.

Risks to manage

- Suppliers need to understand the requirements of any interactive engagements where they will be evaluated and will need sufficient time to absorb and address requirements.
- The more complex the engagement, the more highly it is recommended to be funded so smaller suppliers are not excluded.
- Probit risks arise with engagement, so buying teams will need to lean on guidance and samples to create robust plans and processes for engagements.

Desktop research

Desktop research focuses on data and information from existing sources like company records, published reports and other online resources. It is a secondary research method. Conducting original data collection, including directly from suppliers, would be a primary research method.

Can help with

- Keeping costs down (low cost).
- Understanding the state of the market relatively quickly.
- Finding information about suppliers with established solutions and capabilities.

Risks to manage

- Search results will be constrained by what the researcher knows to look for, potentially excluding innovative solutions or expected capabilities.
- It's difficult to search for solutions by problem or use case.
- Indicative pricing or performance information might not be readily available for less mature solutions.

Internal sources of market information

Several sources of internal information can help build insights into the market for potential solutions. Expand the headings below to learn the strengths and weaknesses of each.

[Expand all](#)

[Collapse all](#)

The buy NSW Supplier Hub and schemes

The buy NSW Supplier Hub is a place for buyers and suppliers of products and services to connect. NSW Government buyers can browse suppliers who are ready to sell to NSW Government and have registered their businesses on the Supplier Hub. Suppliers need a Supplier Hub account to submit tender responses through the buy NSW platform and to do business with the NSW Government. Learn more about [how to register and use the Supplier Hub ↗](#).

Suppliers can also apply to join one or more schemes, including the [ICT Services Scheme ↗](#). This may involve a higher level of due diligence and category-specific requirements.

Can help with

- Keeping research costs down (no cost involved).
- Keeping research costs down (no cost involved).
- Finding suppliers with mature products and capabilities quickly.
- Understanding how suppliers describe their capabilities.
- Knowing which suppliers have become members of NSW Government Schemes, and therefore have accepted their terms and conditions.

Risks to manage

- While some due diligence can be done at the Supplier Hub or scheme level – for example, checking for an active Australian Business Number (ABN) or a history of corrupt conduct – no project-level due diligence can be done on capabilities, services or products at the scheme level. Teams need additional information sources to assess these.
- Search results will be constrained by what the researcher knows to look for, potentially excluding innovative solutions or expected capabilities.
- Buying categories can constrain research and encourage buyers to exclude potential solutions or capabilities from other categories or those that can't be easily categorised.
- Supplier Hub does not provide information on whether suppliers already supply solutions to other parts of the NSW Government.
- Suppliers of innovative solutions may not have registered with Supplier Hub or joined a scheme if they have not previously done business with the NSW Government.

Tender responses

Insights from other government tenders can help to understand the market. These insights can come from proposals, clarification processes and tender-related activities like briefings, demonstrations or pitches. Buying teams might not always have access to original tender responses. In these cases, they can benefit from evaluation reports and discussions with tender team members.

Can help with

- Identifying suppliers that participated constructively in tender processes.
- Assessing the likely appetite of suppliers to participate.
- Identifying shared use cases in other parts of the NSW Government.
- Understanding the types of solutions, maturity and level of competition.

Risks to manage

- The quality of insights from a tender depends on the strength of its requirements and evaluation process.
- With the speed of technology evolution, insights from historical tenders can become outdated quickly and may need additional validation.

Technology subject-matter experts

Subject-matter experts know a lot about specific technologies, industry standards and trends. They can identify potential solutions and assess feasibility. They also think ahead about complex technical needs and supporting capabilities. This helps a buying team consider supplier track records, technical risks, budgeting and strategic alignment.

Can help with

- Getting insights about suppliers of known solutions, their capabilities and performance.
- Accessing deep technical domain knowledge to support risk identification and management.
- Accessing commercial knowledge to inform budgeting and building leverage for negotiation at later stages.
- Accessing knowledge about technical standards, policies or requirements.
- Understanding the range of possible solutions within a buying category.

Risks to manage

- Subject-matter experts may make assumptions about solution based on their knowledge.

- Knowledge could be biased by previous experience or become outdated quickly in emerging markets.
- Knowledge may be restricted to a buying category or technology type, whereas innovative solutions might span across several buying categories or technology types.

Operational feedback

Talking to business owners about delivered solutions gives valuable insights into solution performance. The business unit with operational experience might be the one looking for a new solution, or there might be a separate business unit using similar suppliers or solutions.

Can help with

- Getting information about the problem, project scope and case for change.
- Understanding usability and functional capability requirements.
- Understanding resources needed and costs for development and support, managing change and training.
- Understanding the capabilities that might be needed to deliver a solution.
- Understand service levels for existing capability, gaps or areas for improvement.

Risks to manage

- Insights would be limited to incumbent solutions or suppliers.
- Operational teams may make assumptions about preferred solutions.
- Technical knowledge may be outdated or biased by previous experience.

Research and development programs (including grant programs)

Research and development (R&D) programs can include, but are not limited to, NSW Government grant programs with an R&D focus. These programs support early stage research and development of innovative technologies, services or processes that will help achieve certain NSW Government objectives. They typically work with lower maturity technology (i.e. Technology Readiness Levels up to 6). They may be linked to NSW Government industry priorities and/or have direct applications for NSW Government services.

Can help with

- Building an understanding of use cases for technology still under development.
- Building an understanding of solution maturity for the sorts of priority areas covered by R&D programs.
- Building an understanding of capability of solution to address a problem and deliver outcomes.

Risks to manage

- R&D program scope may not align with the scope of the buying project, limiting applicability of insights.
- Solutions may have lower maturity and need more testing before investment and implementation decisions.
- Buying teams may not be able to validate whether solutions have delivered tangible outcomes elsewhere, instead leaning on testing.
- Buying teams may not be able to assess the technical feasibility or commercial viability of less mature solutions, instead leaning on testing and/or building risk mitigation into the contractual arrangement.

Sharing market insights

Perceived or actual constraints on sharing information can act as a barrier to getting insights from elsewhere in government. Buying teams can learn from other buying projects without breaching any requirements around managing personal or confidential information.

By sharing insights, buying teams can refine a procurement strategy based on proven approaches. More robust strategies can provide access to more relevant solutions, faster, and can avoid risks. Specific insights buying teams could get from other tenders or buying projects include:

- which market approaches and/or projects were successful and could be repeated or leveraged
- the state of the market in terms of solution types, capability, maturity and competition to supplement desktop research which can be limited in emerging markets
- whether a procurement may have uncovered and approved a supplier or solution with application across different use cases
- accessing lessons from other projects that would otherwise remain unknown to the buying team.

Sharing information can help avoid risks. Not sharing information can inadvertently create risks. Buying teams should therefore take smart risks with gathering and sharing market insights. Teams can start by understanding their obligations under legislation and policy. Then they can put specific types of controls in place for specific types of information. This enables them to remove barriers to sharing information not covered by these controls.

Determine what insights can be shared with other agencies

This section helps buying teams determine what they can disclose to other public sector agencies. It also covers what they might reasonably be able to request. Expand the headings below to help navigate some of the requirements that apply.

[Expand all](#)

[Collapse all](#)

Risk-based approach to sharing market insights

The [NSW Government Procurement Policy Framework](#) provides some general rules for information sharing. The type of information and reasons for sharing it can create complexities that should be addressed on a case-by-case basis. To support sharing insights from tender responses, buying teams should seek legal or procurement advice (depending on the nature of the information).

Below are some considerations to help determine the level of risk of sharing insights from a tender process. The higher the risk, the more caution and advice buying teams should take.

Insight from tender responses may be considered low risk for sharing if:

- it does not identify suppliers or solutions and would not enable a reader to determine the identity or performance of tender participants
- it can be gleaned from publicly available information sources.

Insight from tender responses might be low risk but some advice might be needed to confirm this, if:

- suppliers were notified that certain information could be shared and with whom (confirmation may be needed that the information matches what was consented to)
- information is anonymised or aggregated but there is still a chance that a supplier could be identified.

Insight from tender responses may be higher risk and should only be shared based on advice (where the type of advice depends on the type of risk – e.g. probity, confidentiality, intellectual property or legal terms) if:

- it arose from tender responses and evaluation where suppliers were informed information would be used only for the purpose of evaluation
- suppliers were not informed the information would be shared with other agencies or the public and it is not publicly available.

Insights from supplier responses to tenders

The [NSW Procurement Policy Framework](#) provides some general guidance around probity and fairness that may influence how supplier responses to a tender are managed:

'You must safeguard confidential supplier information and treat tenders and business information fairly, impartially and securely.'

NSW Government buying teams have a general obligation to minimise the amount and type of information they ask of suppliers at every stage of the procurement cycle, as well as to make it easy to supply information. For more detail, visit guidance on [notification and briefing obligations to suppliers ↗](#).

This will mean any insights gleaned through supplier responses will be limited to the scope of the tender opportunity. Buyers should only ask suppliers to provide information necessary for assessing a proposal. They should ask once, at the latest possible stage of the contracting process. They should also ask only if the supplier is still being actively considered.

NSW legislative requirements for information sharing

Buying teams should consider sharing insights from procurements with other agencies and should consider any relevant legislation. This might include:

- *Privacy and Personal Information Protection Act 1998* (PPIP Act).
- *Data Sharing (Government Sector) Act 2015* (Data Sharing Act).

All 'personal information' must be managed in accordance with the PPIP Act. Most of the insights about suppliers and technologies from a procurement process would fall under the definition of data in the Data Sharing Act. The Data Sharing Act has the objective to remove barriers to, and speed up the sharing of, government sector data between government sector agencies.

Section 13 of the Data Sharing Act provides for the treatment of government sector data that is confidential and commercial-in-confidence. It refers to contractual obligations which, in the case of tender responses from suppliers, may vary on a case-by-case basis. For example: stage of the contracting process and only if the supplier is still being actively considered.

Understand the conditions under which information has been provided

The terms and conditions of participating in a NSW Government tender can vary between tenders. Buying teams should understand terms relating to confidentiality and information sharing that apply to their tender. This will help manage the sharing of information or insights from the tender process.

Below are two phrasing examples of tendering conditions indicating to suppliers how information contained in a response will be treated. NSW Government agency tender templates may contain slight variations of these.

Example 1

- 'By Submitting a response, the Respondent authorises the Principal to gather, assess and communicate to the Commonwealth, other state and local government agencies and authorities any information about the Respondent, including its financial position and the Respondents performance in respect of any contract awarded as a result of the tender process. Such information may be used for assessment of suitability of future response, tender, pre-qualification or contract opportunities.'

Example 2

- 'The Principal's public disclosure obligations are set out in the *Government Information (Public Access) Act 2009 (NSW)*, and the Tenderer acknowledges and agrees that any information provided as a part of a Tender may be subject to disclosure under that legislation.
- Without limiting (a), the Principal is at liberty to disclose any Tender (including an Alternative Tender or Non-Conforming Tender) and any other tendered information, to such persons as it considers necessary for the purpose of evaluating Tenders, or obtaining advice, finance or approvals, for government purposes or as required by law.
- Where any information or document is provided by a Tenderer on a confidential basis or relates to a Tenderers trade secrets or confidential financial affairs, the Tenderer should endorse the Information or document accordingly and the Principal will take that into account when deciding if and to what extent or on what conditions the information might be disclosed to others.'

Explore Test and Buy Innovation

- Build evidence for your case for changeeast
- Build market insights iterativelyeast
- Buying pathwayeast
- Scope for innovationeast
- Set up for successeast
- Conduct market researcheast
- Get help from Test and Buy Innovation advisoryeast ↗
- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programmeeast ↗
- Buy, build or borroweast ↗

Define the challenge statement

Write an outcome-focused scope for the market to solve.

Define an outcome-focused challenge statement

After shaping and framing the problem to be solved, use the outputs to define an outcome-focused challenge statement. Focusing on outcomes is essential to ensure suppliers can put forward a range of different solutions that match the scope of innovation.

This step involves writing an outcome-focused challenge statement over 2 weeks.*

*Duration will vary with project complexity and resource availability.

A **challenge statement** outlines the **scope** of the opportunity, the problem to be solved, desired **outcome** and measures of success.

When to define the challenge statement

The challenge statement should be written:

- after buyer discovery phase
- after pathway and tactics have been defined
- after problem statement shaping and framing
- before writing the Statement of Requirements (SoR)
- before writing the procurement strategy documentation
- before seeking approval to procure.

Who to involve

- Buyers and subject-matter expert (SME) roles such as service designer, ICT architecture, digital strategy, and/or innovation may contribute to the challenge statement definition.
- Buyers can engage a service designer or roles with similar skills to write the challenge statement document.
- Procurement representatives and stakeholders with expertise in the business unit or service area might review the challenge statement and provide feedback.

Resources

Before writing a challenge statement, document authors should have a minimum foundational level of ICT scoping experience and skill, usually possessed by roles such as ICT business analyst, UX designer, or service designer.

If you don't have the foundational skills, yet intend to undertake this activity yourself, please contact the Test and Buy Innovation advisory team at

InnovationProcurement@customerservice.nsw.gov.au ↗ for advice, support and guidance.

If you have the foundational skills, you may access the resources supporting this step. Note that these resources are undergoing testing and are available for guided use in conjunction with the Test and Buy Innovation advisory team. This ensures that the guides can tailor to project needs and incorporate any improvements.

To access expert resourcing to lead this activity, please contact the Test and Buy Innovation advisory at InnovationProcurement@customerservice.nsw.gov.au ↗. If you have any trouble accessing a file or document on this page, you can request an accessible version from the same email address.

Key inclusions

The challenge statement should define:

- business objectives
- one or more concise, actionable ‘how might we’ (HMW) problem statements
- user stories that identify the end user, need and value to the end user
- desired outcome, success criteria and measures of success.

The challenge statement may also include:

- detailed user stories that identify the end user
- use cases that identify the actors and interactions, either for the whole procurement, or for a single delivery stage such as Proof of Concept.

Resources:

- [Challenge statement document samples](#) ↗
- [Challenge statement schema](#) ↗

Key steps

Define the buying objectives, background and strategic 'how might we' (HMW) statement

- the challenge statement should state upfront the buying objectives, background and sufficient business information to provide context to suppliers
- in a multi-stage procurement, it's important to **signal the strategic opportunity** for suppliers beyond the first stage
- this can be signalled via a strategic HMW statement
- following the definition of the objectives and background, define the strategic HMW statement
- the strategic HMW statement should reframe the overall buying project objective in the form of a challenge
- following the strategic HMW statement definition, a summary of tactical use cases and HMWs should be defined
- this summary should reference a later section in the challenge statement with expanded levels of detail for each tactical use case.

Resources

- Project objectives, background, opportunity example ↗
- Strategic problem statement that clearly signals to suppliers the extent and scale of the potential for further implementation example ↗

Define the current state situation

- use the outputs and synthesis from the workshop 1 and 2 to define the current situation
- it may be expressed within each use case as a brief paragraph that includes current benchmark metrics
- it may be expressed as more nuanced user personas, where the attributes, goals and frustrations are noted for each user archetype in more detail upfront ahead of the detailed use cases
- known current state constraints should be noted in the constraints section of the challenge statement.

Resources

- Current state problem definition example ↗
- Constraints example ↗

Define the high level use cases

- a high level use case is the highest level description of a function
- use the outputs and synthesis from workshops 1 and 2 to frame the high level functions required
- define each key high level function as a one sentence description and provide a reference number such as 'Use case 1, 2, 3, 4', etc.
- example of a high level use case: 'Use case 2: Traffic fine fraud detection'
- the high level use cases identified are the 'wrappers' for additional detail that supports better context setting
- this additional detail will include a 'how might we' (HMW) statement, user stories, desired outcome, success criteria and measures.

Resources

- [User story and use-case toolkit ↗](#)
- [High level use-case sample ↗](#)

Define tactical 'how might we' statements

- expand each high level use case with a 'how might we' (HMW) statement
- use the outputs and synthesis from workshop 4 to define the tactical opportunity in sufficiently narrow terms so that it provides solution focus, but uses sufficiently broad terms so it doesn't assume the solution
- tactical HMW statements should be used to expand use case scope for the proposal or Proof of Value (PoV) stage of a multi-stage procurement.

Resources

- [Tactical 'how might we' problem statement example ↗](#)

Define success criteria and measures

- for each high level use case and tactical HMW statement, **define success criteria and measures**, using the outputs and synthesis from workshop 3.

Resources

- [Future state desired outcome example ↗](#)
- [Success measures example ↗](#)
- [Future opportunity example ↗](#)

Define user stories

- for each high level use case and tactical HMW statement you may provide additional context by writing one or more user stories
- user stories use a specific format or syntax to define each specific user archetype, their current problem, and their desired outcome
- the outputs and synthesis from workshop 1 and 2 may be used to write user stories for workshop 3.

Resources

- [How to write a user story ↗](#)

Scoping for innovation next steps

[Document outcome-focused requirements ↗](#)

Explore Test and Buy Innovation

- [MIRO challenge document sampleeast ↗](#)
- [User story and use-case toolkiteast ↗](#)
- [Risk of assuming the solutioneast](#)
- [Scope for innovationeast](#)
- [Set up for successeast](#)
- [Learn about Test and Buy Innovation Programmeeast ↗](#)
- [The innovation buying journeyeast](#)
- [Request service design resourceeast ↗](#)
- [Get help from Test and Buy Innovation advisoryeast ↗](#)

A rough guide to stages

Understand the stages when using a multi-stage approach including objectives, information needs, risk milestones, approvals, costs and processes.

Overview of the multi-stage approach model

The multi-stage approach builds testing and learning into the procurement process. This ensures a wide range of solutions can be considered. It lowers the barrier to participation for suppliers and supports smooth scaling from successful trials.

In a multi-stage approach, buying teams filter suppliers proposals through one or more layers of a funnel (Figure 1). Each layer represents a new phase of testing or evidence, where suppliers demonstrate, iterate and scale their proposed solution.

As stages progress, the number of suppliers involved decreases and the type of evidence and level of detail required from them increases. This culminates in the selection of one or more successful suppliers to implement their solution.

Each testing stage decreases risk and improves confidence in solutions. This way, it protects project objectives and reduces the overall investment risk.

When the end solution is unknown, this approach starts with an outcome-focused approach to market centred on a challenge statement. This leaves room for curiosity and new ideas. It can also be a helpful approach for buying known solutions where there is significant uncertainty about the preferred supplier.

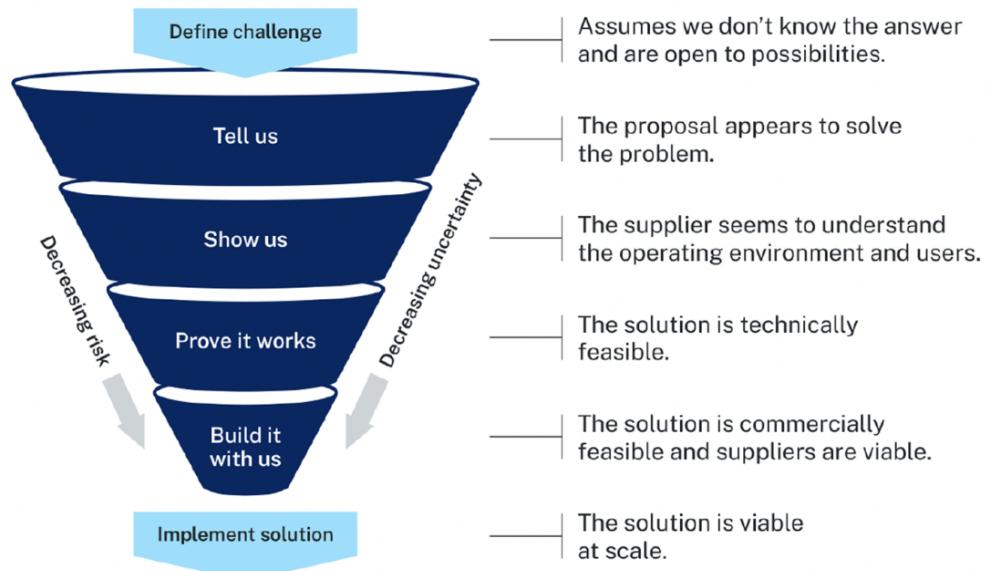


Figure 1: The conceptual testing stages that are part of procurement in the Test and Buy Innovation approach, and the key considerations at each stage.

Stages

Expand the boxes below to learn more about key considerations for each stage.

[Expand all](#)

[Collapse all](#)

Before you start – Discovery

Key considerations	Description
Objective	<ul style="list-style-type: none"> Determine what the problem is and whether it is worth solving. Obtain a project mandate (formal or informal), i.e. confirm there is a project to stand up and that it has sponsorship, support and potentially funding.
Information you might need	<ul style="list-style-type: none"> Evidence of available solutions from market research Indicative pricing from potential suppliers Financial delegation levels Evidence of available solutions from market research
Risk milestone	<ul style="list-style-type: none"> Risk context established and subject-matter experts for applicable risk domains consulted.
Approvals before starting stage (agency-dependent)	<ul style="list-style-type: none"> A formal project mandate might apply Approval of funding for deeper discovery or market engagement Endorsement of the decision to approach the market based on market information and pricing estimates
Costs that might need to be planned for	<ul style="list-style-type: none"> Funding for a service designer to engage users, shape the problem and frame a challenge statement Funding to resource further discovery Funding to uncover more market intelligence or curate market offerings
Other government processes that might apply	<ul style="list-style-type: none"> If pursuing a formal business case according the Treasury guidelines, you would focus on Stage 0: a ‘go/no-go’ to establish the problem and support a decision on whether a business case should be prepared. If subject to the ICT Digital Assurance Framework, you would focus on either: <ul style="list-style-type: none"> Gate 0 - Portfolio Review: ensure project addresses identified need and aligns with whole of government ICT strategy)

Key considerations	Description
	<ul style="list-style-type: none">◦ Gate 1 - Strategic Alignment: ensure project is conceived of in the right way and aligns with relevant Strategic Imperatives, Investment Principles and Enterprise Architecture.

Tell us stage

Key considerations	Description
Outcome	<ul style="list-style-type: none"> The proposal seems to solve the problem.
Objective	<ul style="list-style-type: none"> Collect proposals or ideas from suppliers to address the defined challenge Assess market capability to meet your needs
Information you might need	<ul style="list-style-type: none"> Detailed market analysis Initial solution concepts or proposals Preliminary understanding of the suppliers' capabilities Draft evaluation criteria for assessing supplier proposals Understanding of the need to engage probity, Intellectual Property (IP) and/or expertise
Risk milestone	<ul style="list-style-type: none"> Assessment of initial supplier risks and market risks.
Approvals before starting stage (agency-dependent)	<ul style="list-style-type: none"> An approved buying strategy including requirements, planned testing stages and high-level evaluation criteria Approval to incur costs - either for the full budget amount, or for one or more testing stages with the intention to seek further approval when implementation are known. Approved market-facing tender documents. An evaluation plan approved by a cross-functional evaluation committee.
Costs that might need to be planned for	<ul style="list-style-type: none"> Independent probity advisor if an internal resource is not available Procurement advisors if internal resources don't have capacity to support a multi-stage engagement Evaluation costs for initial proposals Workshop or presentation expenses
Other government processes that might apply	<ul style="list-style-type: none"> If pursuing a formal business case according the Treasury guidelines, you would focus on Stage 1: preliminary business case to test the case for investment and narrows down options to a shortlist for detailed examination in a full business case.

Key considerations	Description
	<ul style="list-style-type: none">• If subject to the ICT Digital Assurance Framework, you would focus on Gate 1 - Strategic Alignment: ensure project is conceived of in the right way and aligns with relevant Strategic Imperatives, Investment Principles and Enterprise Architecture.

Show us stage

Key considerations	Description
Outcome	<ul style="list-style-type: none"> The supplier seems to understand the operating environment and users.
Objective	<ul style="list-style-type: none"> To have suppliers demonstrate the functional value of their proposed solutions through various means, such as Proof of Value (PoV), demonstrations, pitchfests or pilot projects.
Information you might need	<ul style="list-style-type: none"> Insights from previous stage, usually captured in an evaluation report or a separate governance document used to iterate between stages. Emerging requirements that might need to be incorporated into the scope for the stage. Stage-specific evaluation criteria for assessing PoV, demonstrations, pitches or pilots.
Risk milestone	<ul style="list-style-type: none"> Revisit which risk areas are relevant based on supplier proposals and ensure experts in each domain contribute to the requirements for this stage Consider whether any new solution risks can be identified, including technical and operational feasibility.
Approvals before starting stage (agency-dependent)	<ul style="list-style-type: none"> Approved shortlist from previous stage, usually captured in an evaluation report Approved requirements and evaluation criteria for this stage Approval to incur costs relating to this stage.
Costs that might need to be planned for	<ul style="list-style-type: none"> Costs associated with running a demonstration, Proof of Value or pitchfest, such as venue hire, catering or management services. Potential costs for any configuration of dummy data for the demonstration
Other government processes that might apply	

Key considerations	Description
	<ul style="list-style-type: none"> • If pursuing a formal business case according the Treasury guidelines, this procurement stage might map to either: <ul style="list-style-type: none"> ◦ Stage 1: preliminary business case to test the case for investment and narrows down options to a shortlist for detailed examination in a full business case. ◦ Stage 2: full business case to identify a preferred option and support an investment decision. • If subject to the ICT Digital Assurance Framework, you would focus on either: <ul style="list-style-type: none"> ◦ Gate 2 - Business case: ensure project has a clear plan to realise benefits and aligns with relevant Strategic Imperatives, Investment Principles and Enterprise Architecture. ◦ Gate 3 - Pre-execution to assess delivery readiness, identify delivery problems early and ensure other planning is appropriate.

Prove it works stage

Key considerations	Description
Outcome	<ul style="list-style-type: none"> The solution is technically feasible.
Objective	<ul style="list-style-type: none"> To validate the technical feasibility and effectiveness of the proposed solution through real-world testing, such as a Proof of Concept (PoC) or limited implementation To determine whether the solution meets the required standards and can be scaled
Information you might need	<ul style="list-style-type: none"> Insights from previous stage, usually captured in an evaluation report or a separate governance document used to iterate between stages. Emerging requirements that might need to be incorporated into the scope for the stage Stage-specific evaluation criteria for assessing the success and scalability of the PoC.
Risk milestone	<ul style="list-style-type: none"> Updated risk assessment of risks related to PoC outcomes and full-scale deployment Comprehensive risk assessment to address potential implementation challenges
Approvals before starting stage (agency-dependent)	<ul style="list-style-type: none"> Approved shortlist from previous stage, usually captured in an evaluation report Approved requirements and evaluation criteria for the stage Approved form of contract that is suitable for the risk profile of the stage Approval to enter into an agreement with one or more preferred suppliers for relevant stage deliverables Approval to incur costs relating to this stage.
Costs that might need to be planned for	<ul style="list-style-type: none"> Costs associated with conducting the PoC or limited implementation Potential costs for any required integration or data provisioning for the demonstration

Key considerations	Description
	<ul style="list-style-type: none"> • Costs for any additional infrastructure or resources required during the testing phase • Potential costs for stakeholder or user engagement during testing or evaluation
Other government processes that might apply	<ul style="list-style-type: none"> • If pursuing a formal business case according the Treasury guidelines, this procurement stage might map to either: <ul style="list-style-type: none"> ◦ Stage 1: preliminary business case to test the case for investment and narrows down options to a shortlist for detailed examination in a full business case. ◦ Stage 2: full business case to identify a preferred option and support an investment decision. If subject to the ICT Digital Assurance Framework, you would focus on either: <ul style="list-style-type: none"> ◦ Gate 3 - Pre-execution to assess delivery readiness, identify delivery problems early and ensure other planning is appropriate. ◦ Gate 4 - Tender evaluation to ensure project will be delivered effectively and to check against specific project requirements at key delivery milestones.

Build it with us stage

Key considerations	Description
Outcome	<ul style="list-style-type: none"> The solution is commercially feasible and suppliers are viable
Objective	<ul style="list-style-type: none"> To collaboratively develop and refine the solution with the selected supplier(s) to ensure it meets all functional, technical, and operational requirements To move from a validated concept or pilot to a fully viable and scalable solution
Information you might need	<ul style="list-style-type: none"> Insights from previous stage, usually captured in an evaluation report or a separate governance document used to iterate between stages Detailed integration requirements that might need to be incorporated into the scope for the stage Information that suppliers will need to put forward an implementation plan that will meet desired milestones for all phases of development and deployment Test plans and acceptance criteria to assess the suitability of the solution to proceed to implementation at scale.
Risk milestone	<ul style="list-style-type: none"> Full implementation risk assessment including comprehensive treatment strategies to ensure a full-scale rollout Gaps in controls or residual risks help drive requirements for suppliers and are embedded into agreements.
Approvals before starting stage (agency-dependent)	<ul style="list-style-type: none"> If inviting multiple suppliers - approved shortlist from previous stage, usually captured in an evaluation report If inviting a single supplier, justification for proceeding with a preferred supplier based on acceptance testing outcomes Approval to develop further based on successful outcomes from the previous stage Approved requirements and evaluation criteria for the stage Approved form of contract that is suitable for the risk profile of the stage Approval to enter into an agreement with one or more preferred suppliers for relevant stage deliverables Approval to incur costs relating to this stage

Key considerations	Description
	<ul style="list-style-type: none"> If proceeding to full-scale development and implementation, approval to allocate full project funding and resources, including any future handover arrangements to operationalise the solution.
Costs that might need to be planned for	<ul style="list-style-type: none"> User testing Costs for full-scale deployment and integration Ongoing support and maintenance costs Ongoing license costs Long-term budget for contract
Other government processes that might apply	<ul style="list-style-type: none"> If pursuing a formal business case according the Treasury guidelines, you would focus on Stage 2: full business case to identify a preferred option and support an investment decision. If subject to the ICT Digital Assurance Framework, you would focus on either: <ul style="list-style-type: none"> Gate 4 - Tender evaluation to ensure project will be delivered effectively and to check against specific project requirements at key delivery milestones. Gate 5 - Pre-commissioning to assess readiness for full operational deployment, including change management.

Resources

[Agile buying for the public sector](#)

[Write innovation challenge guidelines](#)

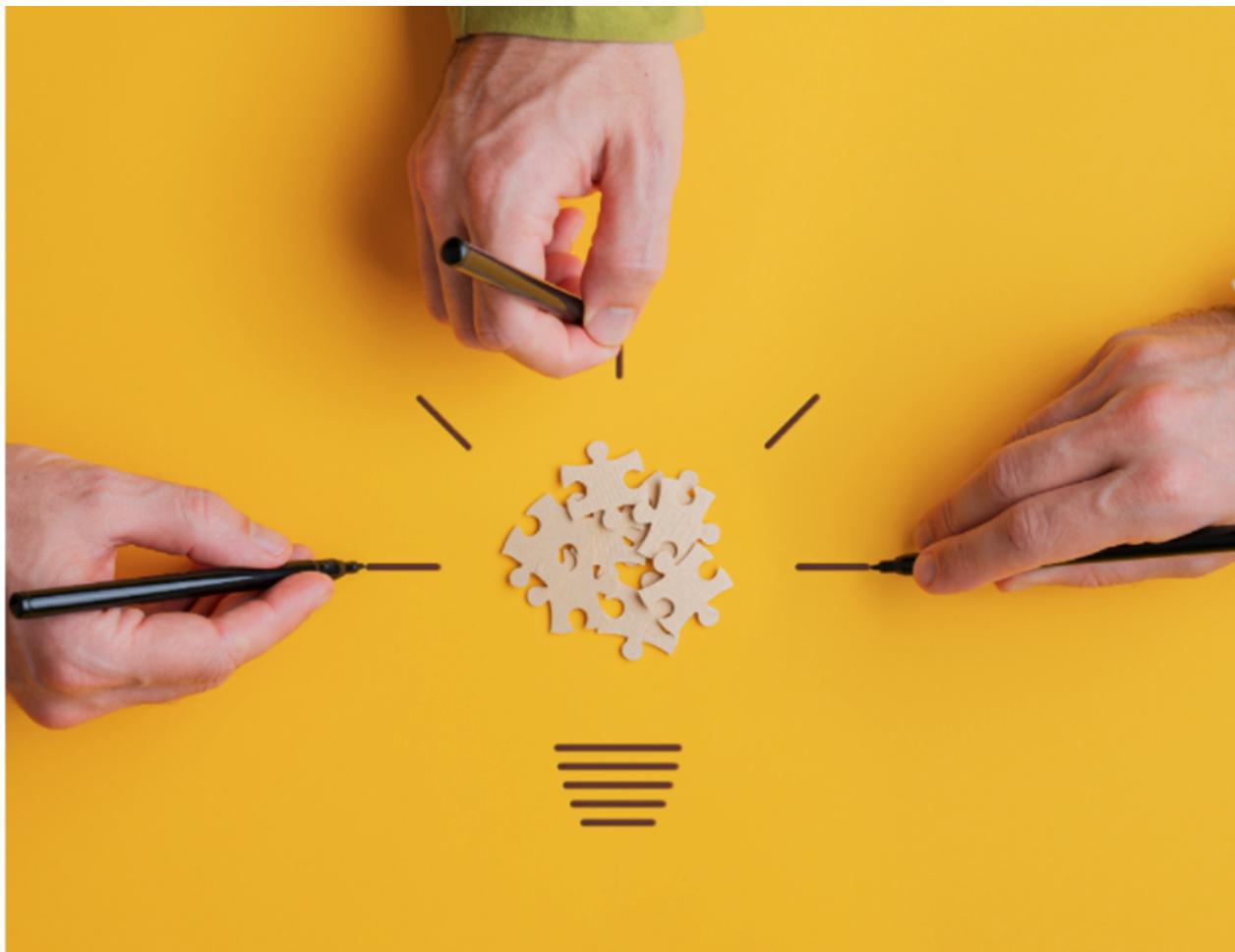
Explore Test and Buy Innovation

- Understand and apply an agile framework
- Develop your iteration plane
- Changes to expect
- Governance of change
- Build market insights iteratively

- [Buying pathwayeast](#)
- [Get help from Test and Buy Innovation advisoryeast ↗](#)
- [The innovation buying journeyeast](#)
- [Learn about Test and Buy Innovation Programmeeast ↗](#)

Define evaluation criteria

Set flexible evaluation criteria that focus on outcomes.



Evaluation criteria play a crucial role in any procurement process. This is especially true for innovation procurement.

Evaluation criteria are the bridge between the project objectives that will end up being formalised through an agreement and the problem to be solved. They connect the experts who can help determine whether a proposal effectively addresses the problem. They also underpin a defensible process for the selection of one or more proposals.

Flexible, outcome-focused evaluation criteria are important when there is uncertainty about the end solution. This is especially true for emergent markets where little is known about supplier capability and solution maturity.

At a high level, the steps involved in setting up an evaluation approach for innovation buying projects are:

be flexible with minimum/mandatory criteria

define the outcome of each procurement stage

ask for the right level of detail at each stage

access the right expertise to define a stage outcome and determine if it has been achieved

predict when evaluation criteria might need to be adjusted and plan for it.

This guidance helps buying teams navigate each step in a way that supports innovation.

When to define evaluation criteria

Buying teams should define evaluation criteria during the Plan phase of procurement, after completing the scoping steps, creating the challenge statement and documenting the Statement of Requirements.

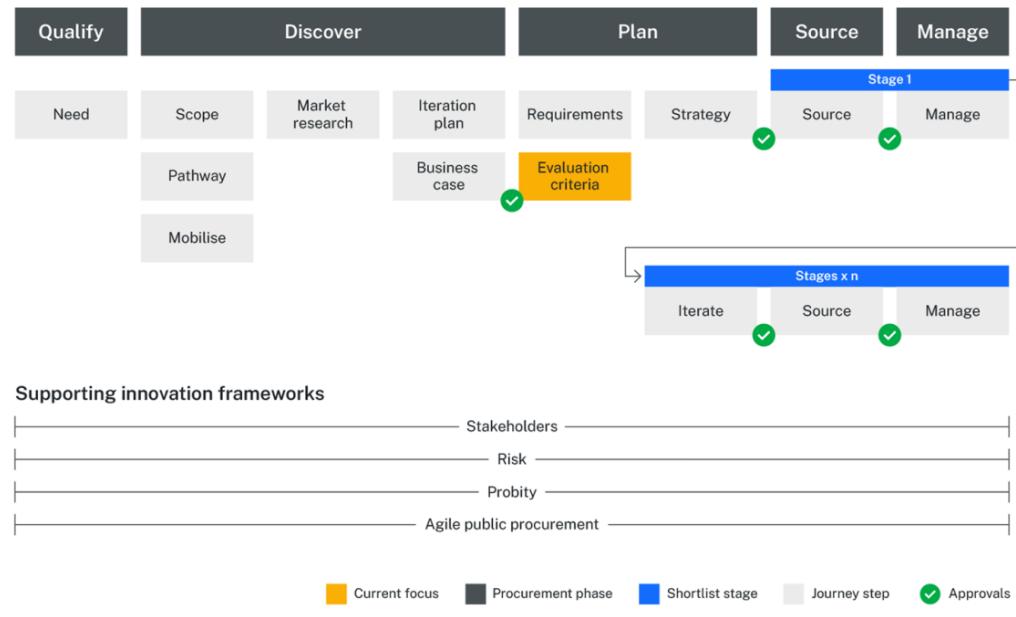


Figure 1: Buying teams should define the evaluation criteria after documenting the Statement of Requirements.

While evaluation criteria are set in the Plan phase before starting the first Source phase, they need to evolve before further Source phases. An iterative approach is not 'set and forget' or a 'free for all'. Rather, it strikes a balance between transparency, fairness and flexibility by adapting to new information and governing changes carefully.

Managing risk through alignment and expertise

To make informed decisions, buyers need alignment between requirements, evaluation criteria and the evaluation process.

To support alignment, buying teams should consider:

- the objectives and desired outcomes
- the context and importance of requirements
- what intelligence needs to be gathered
- why the evaluation criteria was adopted
- how to undertake the evaluation to ensure outcomes are protected.

To maximise alignment, the people who draft requirements and evaluation criteria should also serve on the Evaluation Committee (EC), ideally across all stages. The EC should include expertise from all key areas of the project to ensure balanced, thorough assessments. Diversity enables collaborative and informed decision-making, helps identify and address issues early, and ensures alignment with project goals, agency priorities, and regulatory obligations.

Risk from not including experts

Without the right expertise, several issues can arise. Expand the boxes below to learn about the risks:

[Expand all](#)

[Collapse all](#)

Risk from poorly framed requirements

Poorly framed requirements can cause the following issues with defining the evaluation criteria:

- scoring and mandatory criteria misaligned with business needs
- suppliers unable to meet criteria as they don't understand requirements
- time and budget pressures from needing to reframe requirements after process is underway.

Learn how to [define a challenge statement](#) and [document your requirements](#).

Risk from low quality evaluation criteria

The following risks can emerge from low quality evaluation criteria:

- overly rigid criteria stifling supplier innovation
- unclear or ambiguous criteria making evaluation consensus difficult
- procurement process lacking probity and falling out of compliance

- need for rework causing delays in project timeframes.

Risk from an incomplete Evaluation Committee

- inaccurate evaluations, through an incomplete understanding of critical aspects, biases or a lack of diverse perspectives
- project delays caused by the need to re-work, with possible impacts on budgets
- reduced confidence by approvers in the committee's recommendations
- risk of technical failures or non-compliance where potential flaws are overlooked due to lack of technical or regulatory/legal expertise
- lost opportunities for innovative ideas and best practices.

Who to involve and why

Buying teams are generally expected to define the evaluation criteria and identify the Evaluation Committee as part of a [procurement strategy](#). They should identify the key areas of expertise required, such as operational, technical, financial, regulatory, and risk management knowledge.

Expand the box to read about who to choose and the risks associated with specific gaps in expertise.

[Expand all](#)

[Collapse all](#)

Business area experts

Contribution of this expertise to evaluation process:

- understand the business rules, business needs and business environments
- ensure solutions adhere to the requirements of the business.

What may happen if this expertise is missed

Business-specific requirements are not captured or understood in the evaluation process, with the following potential impacts:

- misaligned solutions that do not address critical business challenges or pain points
- incomplete or ineffective solution due to insufficient understanding of core business requirements
- increased need for rework or modifications during later stages, causing project delays and budget overruns.

Business environment considerations are not incorporated into the evaluation criteria, with the following potential impacts:

- solutions are selected without considering existing operational constraints, leading to integration issues and inefficiencies
- the scalability of the solution is compromised, resulting in limited long-term viability
- incompatibility with existing workflows, systems or processes, leading to disruptions in day-to-day operations.

Business area expertise is not present on the Evaluation Committee, with the following potential impacts:

- selection of a solution that fails to meet business needs or requires significant customisation after the fact
- important operational concerns, such as usability and alignment with business objectives are overlooked
- stakeholder dissatisfaction as expected business outcome or value is not delivered.

Business intelligence is not derived from the evaluation process, with the following potential impacts:

- lack of critical insights into how the solution will support or hinder future business goals and strategy
- missed opportunities to capture lessons learned for future projects, reducing the ability to continuously improve procurement and selection processes.

ICT experts

Contribution of this expertise to the evaluation process helps:

- understand the technologies being used, evaluated and implemented
- ensure solution aligns with internal IT architecture and roadmaps
- evaluate the technical feasibility and integration capabilities of proposed solutions.

What may happen if this expertise is missed

ICT domain specific business or technical requirements are not captured overall or for a discrete stage, with the following potential impacts:

- poorly defined requirements, especially current state systems environment and tech capability for the Prove it works and Build it with us stages
- procurement activity that duplicates solutions that already exist across NSW Government
- procurement activity that conflicts with ICT/product strategy roadmap for the function

- non-compliant solution (information security/cyber security)

ICT domain specific evaluation criteria is not identified for the overall buying project and mandatory criteria is not identified or agreed for discrete stages, with the following potential impacts:

- poorly defined evaluation criteria, especially tech capability, architecture, etc. for the proof and build stages.
- non-compliant solution
- increased ICT assurance risk
- increased risk of not achieving business outcome/benefits.

ICT domain specific expertise is not available for the Evaluation Committee, with the following potential impacts:

- non-selection of a promising solution or selection of a less capable/scalable/mature solution.
- non-compliant solution
- increased **ICT assurance risk ↗**
- increased risk of not achieving business outcome/benefits.

Business technology and procurement domain-specific business intelligence are not derived from the engagement.

Beneficial market insights are missed if nobody is assigned to undertake a retrospective, synthesise findings and prepare learnings in the form of a case study/market research summary.

Procurement and commercial experts

Contribution of this expertise to the evaluation process helps:

- manage and oversee the procurement process
- assess the financial viability and long-term sustainability of proposed solutions.

What may happen if this expertise is missed

Financial viability and cost-effectiveness aren't thoroughly evaluated overall or for a discrete stage, with the following potential impacts:

- solutions selected aren't cost-effective or commercially sustainable, impacting budget allocations and financial health
- underestimation of total cost of ownership and long-term financial commitments.

Procurement and financial expertise are not available for the Evaluation Committee:

- selection of solutions with hidden costs or poor value for money
- increased risk of financial mismanagement and budget overruns.

Procurement and financial intelligence are not derived from the engagement:

- missed insights into cost-saving opportunities and financial efficiencies
- lack of detailed financial analysis may impact the ability to make informed investment decisions.

Risk management

Contribution of this expertise to the evaluation process helps:

- guide the committee through identification and treatment of potential risks associated with the solutions and their implementation
- provide an independent point of view on how risks and probity concerns are managed in the evaluation process and make recommendations for defensible process.

What may happen if this expertise is missed

Potential risks are not identified, assessed or mitigated overall or for a discrete stage, with the following potential impacts:

- unable to account for unforeseen risks in structure evaluation process
- selection of solutions that have high-risk profiles without proper safeguards.

Risk management intelligence is not derived from the engagement, with the following potential impacts:

- missed opportunities to identify and learn from potential risks and vulnerabilities
- lack of proactive risk management may impact the project's ability to adapt to changes and uncertainties.

Legal and regulatory compliance

Contribution of this expertise to the evaluation process helps:

- ensure the solutions comply with relevant regulations and standards
- oversee adherence to internal and external compliance requirements
- advise on contractual mitigation options for risks arising and identify contractual risks.

What may happen if this expertise is missed

Legal and compliance requirements are not considered or captured overall or for a discrete stage, with the following potential impacts:

- contractual and legal non-compliance, leading to potential legal disputes and penalties
- overlooked important legal obligations and contractual terms.

Legal and compliance expertise is not available for the Evaluation Committee, with the following potential impacts:

- selection of solutions that are non-compliant with legal and regulatory standards
- increased risk of legal liabilities and breaches of contract.

Legal and compliance intelligence is not derived from the engagement.

- missed insights that could help avoid legal pitfalls and ensure adherence to compliance standards
- lack of legal guidance may impact the project's contractual integrity and enforceability.

Customer representative

Contribution of this expertise to the evaluation process helps:

- understand the customer's experience with the problem and potential solution
- ensure solution will solve the problem and be feasible from the customer's perspective.

What may happen if this expertise is missed

Customer needs and expectations are not captured during the evaluation process, with the following potential impacts:

- selected solution does not solve the core customer problem, resulting in low uptake or outright rejection by users
- features and functionality aren't aligned with user needs, leading to frustration and disengagement
- significant customisation required after implementation to meet user requirements, causing delays and additional costs.

Usability and practical barriers are not evaluated, with the following potential impacts:

- solutions may be difficult to use, leading to inefficiencies, increased errors and low productivity
- extensive training required for end users, ultimately increasing the total cost of ownership

- long-term user support requirements escalate, raising operational costs and reducing the solution's overall return on investment.

Customer-centric features and key pain points are overlooked in the evaluation criteria, with the following potential impacts:

- core customer issues aren't resolved, resulting in minimal improvements in user experience and outcomes
- customers may avoid the solution in favour of user-friendly alternatives, leading to low usage
- poor user experience negatively impacts the long-term success and acceptance of the solution, leading to project failure or rework.

Customer insights are not leveraged during the evaluation, with the following potential impacts:

- missed opportunities to improve the solution's relevance, usability and alignment with customer priorities
- future projects may lack lessons learned about customer engagement, reducing the overall effectiveness of procurement activities.

Human centred design (HCD) specialist/service designer

Contribution of this expertise to the evaluation process helps:

- ensure a deep understanding of end-user needs, pain points and the real-world environment in which the solution will be used
- assist in defining the business problem from the perspective of the end users, ensuring that the solution addresses key personas and their specific use cases.

What may happen if this expertise is missed

Critical end user needs, the business problem and requirements are assumptive, ambiguous, incorrect, omitted or not captured overall or for a discrete stage, with the following potential impacts:

- poorly defined requirements, especially definition of the current state, key personas and success criteria
- submitted solutions don't address the key problem or specific use case.

End user and business operation specific evaluation criteria are not considered or identified for the overall buying project:

- poorly defined evaluation criteria, especially functional and user experience/usability assessment criteria

- increases risk of not achieving end user benefits such as adoption and usage targets.

HCD innovation specialist expertise is not sought or available for the Evaluation Committee:

- disconnection between defined requirements and success criteria
- evaluation assessment misses a promising solution or selects a less functional or usable solution
- increases risk of not achieving business outcome/benefits.

How to motivate Evaluation Committee members

Involving committee members in discussions about the ongoing challenges and objectives of the procurement process can help them feel more connected and invested in the success of the project. Evaluators will most likely become responsible for implementing, operating or using the end solution and should be invested in both achieving a procurement outcome they can work with and forming good relationships with their fellow committee members.

To keep the EC members engaged and motivated, it's important to recognise their contributions and regularly express appreciation for their efforts. Ensure they understand how their expertise directly impacts the success of procurement outcomes by highlighting specific examples of how their insights have influenced key decisions. Providing clear feedback on how their evaluations shape project progress and outcomes can foster a sense of ownership and satisfaction.

How to set evaluation criteria for innovation

[Set mandatory criteria for innovation](#)

[Staged evaluation criteria](#)

[Level of evaluation criteria detail by stage](#)

Define evaluation criteria resources

[Set mandatory criteria for innovation](#)

Set flexible criteria early that allows suppliers time to meet mandatory criteria in later stages.

east

[Staged evaluation criteria](#)

Design outcome focused stage criteria to progressively uncover more information.

east

[Level of detail by stage](#)

Make procurement more accessible to suppliers by setting ‘just in time’ criteria.

east

Explore Test and Buy Innovation

- Set requirements and criteria for innovationeast
- Stakeholder managementeast
- Set mandatory criteria for innovationeast
- Staged evaluation criteriaeast
- Level of detail by stageeast
- Get your procurement strategy approvedeast
- Build market insights iterativelyeast
- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programmeeast ↗
- Get help from Test and Buy Innovation advisoryeast ↗

Engage the right expert for each step

Identify, engage and manage the experts you need at each step of the buying journey to support your project success.

The buying team should identify and engage relevant stakeholders at each step in the innovation buying journey.

This page helps NSW Government employees who run buying projects to identify the right expertise at the right time to support the project milestones and deliver an optimal outcome.

Expand the boxes below to learn about the experts you will need for each phase. Each box includes links to dedicated pages for the relevant step where you can find more detail about stakeholders and their roles at that step.

[Expand all](#)

[Collapse all](#)

Qualify phase

Journey step	Overview
Align need with strategy	<p>Prospective buyers should engage ICT/product/digital and technical strategy professionals to ensure the need aligns with government strategy, isn't being solved elsewhere and should be solved.</p> <p>Stakeholder resources: Align your need with strategy ↗</p>

Discover phase

Journey step	Overview
Design a buying pathway	<p>Buyers should engage an innovation procurement advisor, or a procurement professional, to help decide whether the market approach should cover the final implementation of a successful solution at scale. As more is learned during the Discover phase, innovation procurement advisors, procurement professionals, ICT professionals and service designers can help buyers to explore a range of engagement methods to include in the pathway, to narrow proposals and improve confidence in investment decisions.</p> <p>Stakeholder resources: Innovation pathway ↗</p>
Mobilise the buying team	<p>When buying innovation, a cross-functional and collaborative buying team including subject-matter experts (SMEs), will need to refine and implement the buying pathway, and approvers will need to know what to expect. Service designers can help mobilise the buying project team before procurement activity starts to align key people on objectives, roles and ways of working and to minimise conflict and delays.</p> <p>Stakeholder resources: Mobilise your buying team ↗</p>
Scope for innovation	<p>Defining the scope of the buying project through an outcome-focused challenge statement involves innovation scoping workshops that help the buying team and SMEs understand business needs and the end users' perspective. Service designers can help uncover the problem to be solved, the value to the end user and success criteria and measures, which then facilitate framing a challenge statement. Documenting the challenge will involve all stakeholders who need to contribute, review or approve, including SMEs and business owners.</p> <p>Stakeholder resources: Scope for innovation ↗</p>
Conduct market research	<p>Because innovation buying teams don't know the end solution, they need to engage a wide range of stakeholders and consider multiple sources to conduct iterative market research across emergent domains and categories. Stakeholders may include ICT and risk professionals, strategists, procurement and category specialists, Evaluation Committee members and both internal and external sources. If engaging directly with the market, procurement and probity advisors are recommended.</p> <p>Stakeholder resources: Conduct market research ↗</p>
Build a business	

Journey step	Overview
case and budget	<p>Preparing a business case or budget before solutions are narrowed down requires a staged approach. Buyers will need commitment to this innovation-friendly approach from approvers and input from a range of experts. NSW Government Business Case Guidelines cover many of the stakeholders involved in creating a business case. Stakeholders include approvers, operational owners, finance, procurement, ICT and risk specialists and service designers.</p> <p>Stakeholder resources: Prepare your business case</p>
Develop your iteration plan	<p>Uncovering new information is an indicator of innovation and a key feature of innovation procurement. Iteration planning requires a broad base of stakeholder involvement and consultation. Stakeholders may include ICT and risk professionals, strategists, procurement specialists, service designers, operational owners, probity and legal advisors.</p> <p>Stakeholder resources: Develop your iteration plan</p>

Plan phase

Journey step	Overview
Document your requirements	<p>Defining a challenge statement ↗ attracts a greater range of more innovative proposals from the market compared with documented specifications. A service designer can help convert a challenge statement into requirements that suppliers can respond to. Buying teams should seek input from procurement professionals, innovation specialists, risk specialists, ICT partners, enterprise architects, digital specialists and technical domain experts including cybersecurity, privacy, accessibility and AI. Probitory advisors, legal representatives and approvers will need to be made aware of how outcome-based requirements might differ from specification-driven ones.</p> <p>Stakeholder resources: Document outcome-focused requirements ↗</p>
Define evaluation criteria	<p>Evaluation criteria are the bridge between the problem to be solved and the project achieving its objectives. They unite experts who determine whether a proposal addresses the problem and they underpin a defensible process for selecting one or more proposals. The same people involved in Scoping for innovation and Documenting requirements steps should be involved in defining evaluation criteria. They may include experts from the business function, ICT, procurement, commercial, risk, procurement compliance and owners of the future solution, as well as customer representatives and service designers.</p> <p>Stakeholder resources: Define evaluation criteria ↗</p>
Document your market approach	<p>An innovation buying strategy and supporting documentation draws from the insights and decisions of all preceding steps across the Discover and Plan phases. Buying teams should engage a wide range of expertise in the collaboration, making the most of their combined knowledge and experience to refine the market approach so it is best positioned to achieve the buying objectives and accurately documented. Probitory and legal advisors should be engaged to review documentation. Approvers should be engaged in advance to ensure they understand any complexities, including the challenge-based requirements and multiple procurement stages.</p> <p>Stakeholder resources: Document your market approach</p>

Source phase

Journey step	Overview
Source step 1	Coming soon

Manage phase

Journey step	Overview
Manage step 1	Coming soon

Resources

[Stakeholder roles and responsibilities ↗](#)

Explore Test and Buy Innovation

- [Stakeholder management↗](#)
- [Stakeholder roles and responsibilities↗](#)
- [Mobilise your buying team↗](#)
- [Agile procurement framework↗](#)
- [Agile principles and benefit↗](#)
- [Agile buying for the public sector↗](#)
- [The innovation buying journey↗](#)
- [Learn about Test and Buy Innovation Program↗](#)
- [Get help from Test and Buy Innovation advisory↗](#)

Staged approach to budgets

Use a stage-based approach to budgets to estimate the total contract value, identify delegated approvers and confirm funding availability before approaching the market.

A stage-based approach to budgets

Before starting a procurement, the following information about budgets usually needs to be documented:

- estimated or maximum Total Contract Value (TCV)
- approval from the appropriate delegate to spend funds
- proof of funding availability (e.g. cost centre).

This page guides buyers and agencies through a stage-based approach to each type of budget-related information. The last section on this page has guidance on budgeting for early stages to cover supplier participation in, or delivery of, testing stages.

Total contract value (TCV)

Since TCV is not disclosed as part of the market approach, its main purpose is to confirm that implementation is budgeted for. It also helps identify the right delegation level for spending approvals.

TCV should cover the cost of each testing stage in the procurement pathway, the cost of implementing the end solution and potential scale opportunities. A range of [market information sources](#) can help to estimate a TCV including references, case studies or market engagement. For less mature markets, information will be more limited and confidence in benchmarking figures may be low.

Managing cost uncertainty

TCV is always an estimate and subject to change. When buying innovation, there is a higher likelihood of variation between the initial estimate and actual cost because the solution is unknown.

Buying teams should factor this into [change management](#) and governance arrangements as part of the procurement strategy. This can be done by signalling which approvals or consultations are triggered once it is known that the estimate might be exceeded.

Once the procurement is underway, buying teams can ask suppliers for indicative or actual pricing to refine the TCV estimate. They should then follow the change management plan laid out in the procurement strategy.

Approval from appropriate delegate

The TCV estimate will identify the level of delegation required to approve the commitment of funds, market approach and eventual spend. Delegations will vary between agencies, but all work on thresholds. To identify the right delegate, the estimated TCV only needs to be as accurate as the thresholds in an agency's delegations manual.

For example: an Executive Director might be authorised in a delegations manual to spend up to \$2 million, Deputy Secretary approval required for spend between \$2 million and \$5 million. If the TCV estimate is between \$2 million and \$5 million, that is enough information to know that Deputy Secretary approval will be most appropriate, despite the wide range of estimates.

If the TCV estimate is under \$2 million but the buying team has low confidence in the estimate, they might seek Deputy Secretary approval regardless. This makes the procurement more resilient to changes and is a chance to get buy-in from the most senior decision-makers.

Once the procurement is underway and there is some indication the estimate could be exceeded or a higher level of approval needed, buying teams can request the higher level of approval using information documented in their [business case](#).

Agency delegations and processes might also require additional approvers for certain kinds of procurements. This is covered in the business case section.

Proof of funding availability

When available funding covers cover the entire estimated TCV, buying teams should document the funding source in the procurement strategy as they would for a standard procurement. This may include confirmation from a finance representative that the funds are available.

In other cases, available funding might only cover one or more testing stage with the remainder of the funding subject to a business case. In these cases, requiring buying teams to have all funding to be in place or a complete business case approved would be a blocker for innovation.

Testing stages usually create insights that feed into a business case and unlock funding, so agencies should consider proceeding with procurements where testing stages are funded and there is a commitment to pursue a business case. Introducing the concept of 'seed funding', will result in better support for innovation compared to focusing on total funding.

This means building in flexibility around funding for later stages. Flexibility does not mean an absence of accountability. Buying projects should always anticipate a future point (or 'gate') where information will be available to support funding decisions. A procurement strategy should clearly state the expected timing of funding decisions related to procurement stages.

The funding status of each procurement stage should be clearly signalled to suppliers. This will help inform their decision about participating in a tender and is an important aspect of maintaining probity. The more stages are funded, the more attractive an opportunity will be for suppliers. Buying teams can also increase supplier appetite by showing how evidence from testing will inform a business case.

Transparent communication is critical for managing the sorts of [probity risks that can be amplified](#) when buying innovation.

Budgeting guide for early testing stages

Show us stage

A Proof of Value is a popular way to engage suppliers in for the 'Show us' stage, and may also be known as a 'scope-specific' demonstration. The buying team generally invites shortlisted suppliers to participate in this stage after evaluating proposals in the 'Tell us' stage.

Compensating suppliers to participate in this stage is recommended when buying teams aim to encourage participation from diverse participants, including small businesses. Buying teams may choose to set a fixed compensation amount for the stage, or ask suppliers for quotes for the stage and take these into account when evaluating proposals. Either way, buying teams should consider the resources and costs suppliers would face to deliver against the Proof of Value requirements when setting stage budgets.

- Suppliers may need to configure their demonstration environment to show relevant functionality and prove the value of their solution, which typically takes 6–8 weeks.
- A rule of thumb for costings is to allow time and material costs of approximately \$5,000 per week to configure demonstration environments, depending on the complexity of the challenge.
- Paying for the Proof of Value is likely to improve the quality and relevance of the solution demonstration, as well as level the playing field by enabling suppliers to participate without losing money.

Real buying project example

Through a multi-stage Request for Proposal, suppliers were asked to include a quote for the delivery of a Proof of Value in their response. Quotes ranged from no charge through to non-competitive quotes. Following evaluation of proposals and quotes, the buying team allocated \$600,000 across eight suppliers, with individual allocations varying based on the quotes from those suppliers.

'Prove it works' stage

A Proof of Concept can be used to test technical feasibility in the 'Prove it works' stage, and may also be known as a limited implementation or trial. The buying team generally invites one or more shortlisted suppliers to test the most promising solutions and capabilities from the 'Show us' stage.

A Proof of Concept costs more than a Proof of Value because the solution needs to be built. It may even involve integration into a NSW Government technology environment. When setting budgets for this stage, buying teams should take the following into consideration:

- As a rule of thumb, a Proof of Concept may take a supplier between eight and twelve weeks to build, and may require more supplier resources than a Proof of Value.
- Types of supplier expenses to take into account include time and materials and technology licence costs.
- A good starting point is approximately \$100,000 for an eight week build, however this will vary with project complexity and type of technology.
- There may be a need for co-development with users or technology experts, which may need to be budgeted for.

Buying teams should ask suppliers for indicative Proof of Concept costing as part of previous stages to ensure appropriate budget allocation. Without this, licensing costs can be hard to estimate, especially if the solution is an emerging technology with limited information in the market.

Alternatively, buying teams can ask for and evaluate Proof of Concept pricing when they invite suppliers to apply for the stage and may also use the labour and license costs to inform later stage budgeting and/or final business case.

Real buying project example

After a series of demonstrations, up to three suppliers were invited to apply for a 'Feasibility study' period to further develop their solution with key stakeholders (lower effort compared to a build), entering into eight week agreements worth up to \$50,000. From these three, a single shortlisted solution was invited to participate in a twelve-month Proof of Concept for up to \$1 million.

Resources

[Staged approach to business cases](#)

Explore Test and Buy Innovation

- [Build evidence for your case for changeeast](#)
- [Staged approach to business caseseast](#)
- [Scope for innovationeast](#)
- [Set up for successeast](#)
- [Conduct market researcheast](#)
- [Buying pathwayeast](#)
- [Get help from Test and Buy Innovation advisoryeast ↗](#)
- [The innovation buying journeyeast](#)
- [Learn about Test and Buy Innovation Programmeeast ↗](#)

Innovation scoping steps

The key steps for moving from a problem space to defining a clear innovation scope with an outcome-focused challenge statement.

Defining the scope of innovation involves understanding the buying objective, the problem space and the outcomes most valued by impacted stakeholders. This page guides buyers to capture the scope as a challenge statement to support an outcomes-focused market approach.

An **outcome-focused** market approach means that the end technical solution is not known and the buyer is open to a range of possible solutions that solve a problem or achieve an outcome. The buyer's intent can be to implement a solution at scale even if the end solution is uncertain.

A challenge statement outlines the scope of the opportunity, the problem to solve, desired outcome and measures of success. Suppliers can respond to the challenge statement by putting forward a range of different solutions and are evaluated based on how well they solve the challenge. It is different from listing specifications, which could lock out innovative solutions.

If you have any trouble accessing a file or document on this page, you can request an accessible version from InnovationProcurement@customerservice.nsw.gov.au.

Key steps for innovation scoping

Discovery

Discovery involves uncovering opportunities for improvement and forming an initial view of benefits to determine if the problem is worth solving.

Sometimes the buyer or product owner has done some discovery of the current situation. They may have evidence to inform the buying team about the needs and priorities of stakeholders and the business.

Any discovery work already done can inform and speed up steps 2 and 3. If discovery hasn't been done, buying teams can start at step 2, but may need to allocate more time.

The type and level of discovery work needed will vary with each buying project between a small team engagement and a wider discover lite activity.

Shape and frame the problem

This step involves inviting core team contributors to a 2-4 hour* workshop or, if discovery work is needed, a 6 week* discover lite process to run workshops and synthesise insights.

*Duration will vary with project complexity and resource availability.

Hold a problem shaping workshop

The core team and any relevant subject-matter experts (SMEs) should hold a collaboration session to socialise findings from the Discovery step (if already completed) and shape one or more problems.

Outputs of this step include:

- the current problems and opportunities
- who benefits, why and how
- what success looks like for key end-users and stakeholders
- measures of success that are realistic for the proposed outcome
- a ‘how might we’ statement that is narrow enough to give suppliers direction and focus, and broad enough to allow for creative freedom and the possibility of multiple innovative solutions.

Synthesise workshop outputs

The buyer should ensure someone collects material, collates findings and frames the problems to be solved in concise language.

For more complex groups of stakeholders

For more complex problems or projects involving external and/or multiple groups of stakeholders, several sessions may be needed to help shape the problem. In these cases, buyers should factor in more time, effort and resources for the synthesis of findings and framing of problems.

Resources

Digital NSW supports buying projects with innovation specialists or service designers to run a discovery activity that integrates with the innovation procurement methodology. Contact the [Test and Buy Innovation ↗](#) advisory team to find out more.

Learn about [how to shape and frame the problem to be solved](#).

[Workshop templates ↗](#)

[Workshop design examples and workshop output examples ↗.](#)

Define the challenge statement

Define the challenge statement. Write an outcome-focused innovation scope over an estimated two weeks.*

*Duration will vary with project complexity and resource availability.

Use the problem framing outputs from step 2 to define the challenge statement.

Innovation defines scope through a challenge statement rather than technical requirements. Buyers will use the outputs from the problem shaping workshop and framing activity from step 2 to define the innovation scope.

The innovation scope for a challenge statement should include:

- definition of business objectives
- high level use cases
- one or more concise, actionable ‘how might we’ (HMW) problem statements
- user stories that identify the end users
- desired outcome, success criteria and measures of success.

A challenge statement with additional constraints may also include:

- use cases that identify the actors and interactions
- technical or other types of constraints.

Resources

Learn about how to [define the challenge statement](#).

Resources for defining challenge statements, including [sample challenge ↗](#).

[User story and use-case toolkit ↗](#).

Scoping for innovation next steps

[Shape the problem](#)

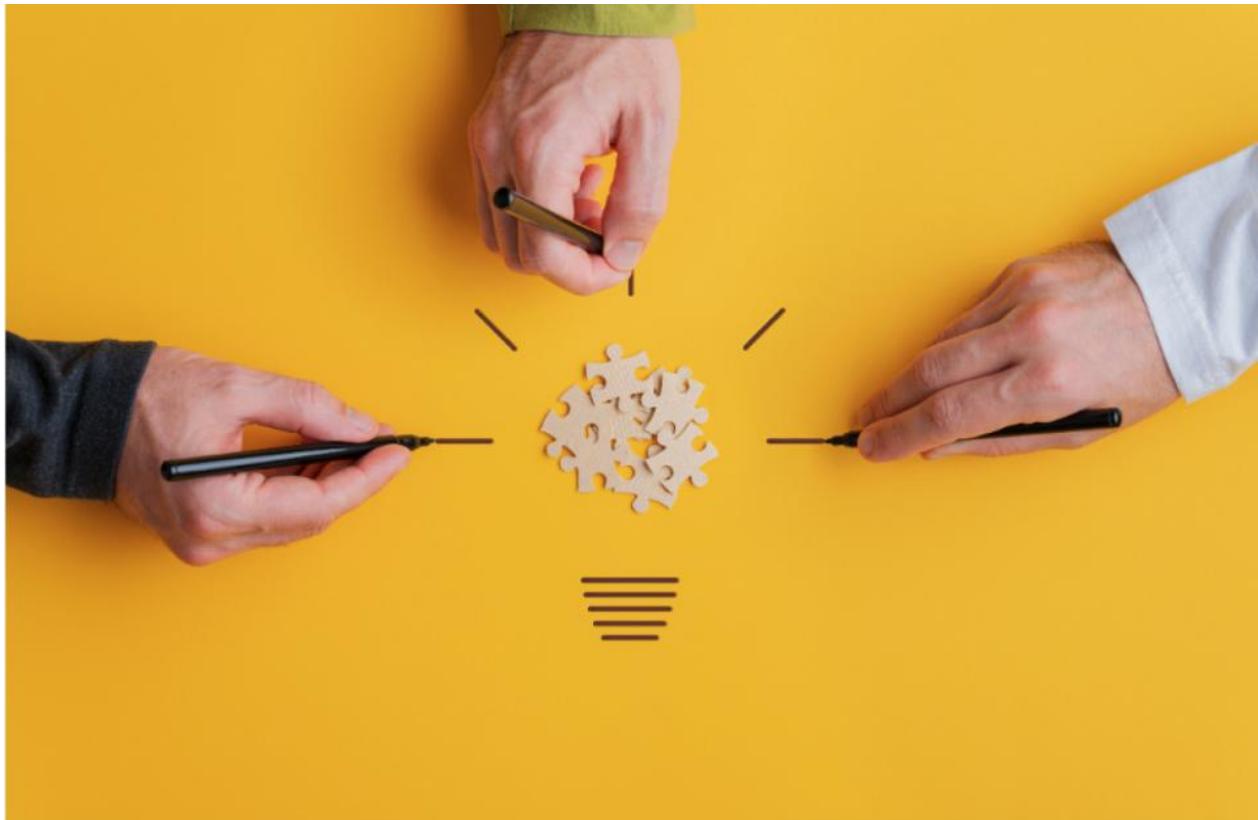
Explore Test and Buy Innovation

- [Shape the problem](#)
- [Define the challenge statement](#)

- Risk of assuming the solutioneast
- Align need with strategyeast ↗
- Scope for innovationeast
- Set up for successeast
- Get help from Test and Buy Innovation advisoryeast ↗
- Request service design resourceeast ↗
- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programmeeast ↗

Mobilise your buying team

Get the right people together and on the same page before and during the buying project.



Why mobilise a buying team

Mobilisation, in this context, means getting everyone ready to work together. Mobilising a core buying team gets members on the same page about project objectives, roles and ways of working.

Mobilisation can be a quick activity with big rewards. It sets teams up with a foundation to produce and share their best work. Without it, team members can find themselves with misaligned assumptions, expectations or priorities. Not mobilising can result in weeks or months of delays much later in the project.

An aligned and collaborative team

Teams that mobilise effectively can build relationships and contribute their individual expertise while focusing on the long-term success of the buying project. They set up practices like effective lines of communication that help them plan, make decisions quickly, foresee risks and save time down the track.

To mobilise, buying teams should come together to:

- align on proposed approach and outcomes
- align on deliverables, timelines, key milestones, assumptions and risk mitigants
- plan what people and roles need to be involved and how
- plan for effective communication and collaboration
- contribute to effective decision making in a transparent and timely manner
- ask questions and challenge assumptions
- focus
- set cadence and get started.

When to mobilise

Mobilisation should happen after the Buying pathway step and before the Innovation scope is defined or the procurement strategy is drafted. This ensures the right expertise can contribute to the [Scope for innovation](#) and [Document your market approach](#) steps.

Teams will often find they need to tweak their procurement approach at the Buying pathway step as a result of new insight and expertise. This is normal and encouraged.

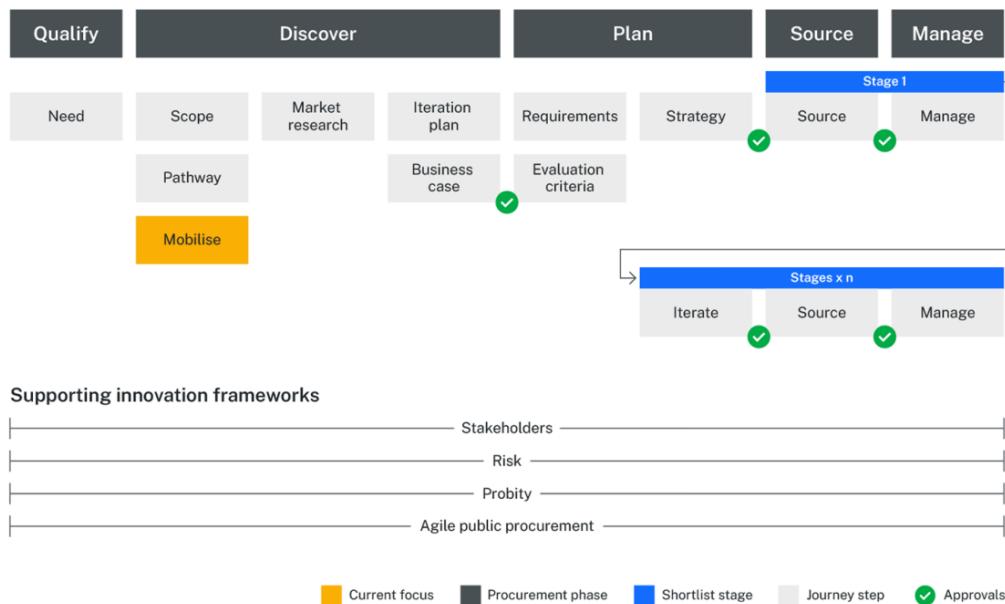


Figure 1. Buying teams should mobilise once they have a good idea about the procurement pathway.

Expand headings below for more detail on when to mobilise a core buying team and the key outputs of mobilisation.

[Expand all](#)[Collapse all](#)

When should a buying project mobilise?

A core buying team should mobilise:

- after buying pathway step
- during or after buyer discovery activity (if this has occurred)
- before the innovation scope or procurement strategy are locked in
- before suppliers have been engaged to ensure probity provisions and risks have been considered.

How are the outputs of mobilisation used?

Mobilisation outputs are used to establish:

- project outcome
- align expectations
- agile project management, including cadence
- a Responsible, Accountable, Consulted and Informed (RACI) matrix [↗](#) that identifies buying project stakeholders and describes their roles and responsibilities
- buying project governance
- a stakeholder engagement matrix that identifies stakeholder levels of interest and influence, and when and in what ways they should be engaged [↗](#)
- agile ways of working.

Who to involve

At the start of the buying project, the buyer and procurement officer should develop a common understanding of the business objectives and agree how they will work together.

Depending on the complexity of the engagement, they may identify and engage other key subject-matter experts (SMEs) to join the core buying team. Some SME contributions may occur later in the buying project, but they should still be briefed and engaged. This allows SMEs to contribute their expertise to the procurement strategy, and reduces the chance of new information slowing down the process later.

Expand the boxes to learn how this guide supports each role in the buying team in Mobilisation.

[Expand all](#)[Collapse all](#)

Buyer

This guide supports buyers or their agents (product owners or project managers) to:

- brief a procurement officer on the business objective and desired business outcome
- share and agree on anticipated stages, activities and timelines
- identify project stakeholders, roles and responsibilities in a RACI matrix
- identify subject-matter experts (SMEs) for the core buying team
- identify approvers and criteria for their support
- conduct an initial core team briefing
- align the core team on ways of working and cadence
- workshop risk mitigants with the core team.

Procurement officer

This guide supports procurement officers to:

- align with the buyer on the business objective and desired business outcome
- give advice on anticipated stages, activities and timelines
- identify project stakeholders, roles and responsibilities in a RACI matrix
- identify subject-matter experts (SMEs) for the core buying team
- identify approvers and criteria for their support
- conduct an initial core team briefing
- align the core team on ways of working and cadence
- workshop risk mitigants with the core team.

Subject-matter experts

Subject-matter experts (SMEs) are identified by the buyer and procurement officer and invited to join the core team. SMEs may include ICT, digital, risk, innovation, probity and/or legal representatives. SMEs should:

- attend the buying project core team mobilisation briefing and workshop
- align with the buyer on the business objective and desired business outcome
- understand and give advice on anticipated stages, activities and timelines
- align on ways of working and cadence
- help identify project stakeholders, roles and responsibilities in a RACI matrix
- help identify other key SMEs
- help identify approvers
- contribute to workshops on risk mitigants, assumptions and questions.

Learn about stakeholder roles and the SMEs ↗ you might need to include in your core team mobilisation.

Next steps

The key mobilisation milestones

Mobilisation resources

Key mobilisation milestones

The key milestones for effective agile alignment.

east

[Define the buying project outcome](#)

A session to align buyer and procurement.

east

[Organise people](#)

Form a core buying team and brief the key people.

east

[Align the buying team](#)

Hold a kick-off workshop with your buying team.

east

Explore Test and Buy Innovation

- [Innovation eligibility checklist](#)east
- [Set up for success](#)east
- [Stakeholder management](#)east
- [Design a buying pathway](#)east
- [The innovation buyer journey](#)east
- [Learn about Test and Buy Innovation Programme](#)↗east
- [Get help from Test and Buy Innovation advisory](#)↗east

Probity when buying innovation

Protect practices that foster innovation while navigating treatments for probity risk.



As with all NSW Government procurement, innovation procurement must be done within a framework of probity and fairness.

Ethical, transparent and principled work – or probity – is a key objective of government procurement policy.

Any conflict of interest or failure to act fairly will undermine an agency's reputation, diminish the government's standing as a business partner and lead to poorer procurement outcomes.

[Read more about probity and fairness controls and procedures that apply to all NSW Government procurements ↗](#)

When buying innovation, some probity-related risks are amplified.

Buying projects must develop controls around probity risks, and must also be aware that some treatment options can create a roadblock or stifle innovation.

Multiple control options exist and their contribution to innovation outcomes should be considered as part of assessing their effectiveness. After all, taking carefully managed risks is essential for discovering, testing and implementing innovative solutions.

These pages provide practical guidance to help buying teams navigate treatment options for probity-related risks while protecting the sorts of agile procurement practices that foster innovation.

[Read more about risk management in innovation procurement](#)

When to consider probity

Buying teams should understand probity risks and treatment options early in a multi-stage procurement and revisit them through every step of the process.

If buying teams are likely to engage directly with suppliers, probity planning should start at the Market research step. If not, formal probity planning will start with the Iteration plan step and may need to be budgeted for in a business case.

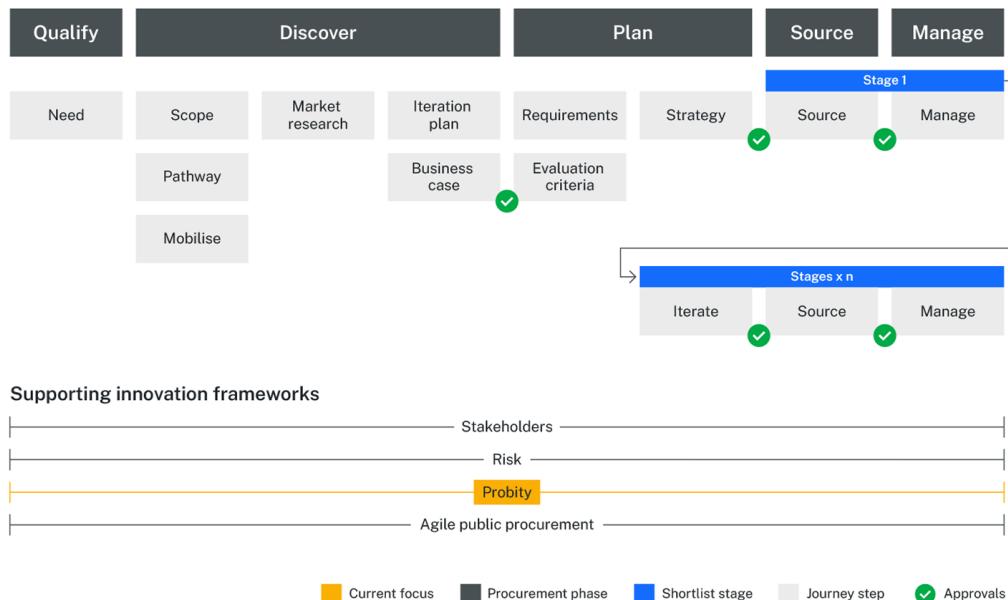


Figure 1: Probity management supports activities that happen throughout the innovation buying journey.

There are specific actions to either prepare for, or implement, probity risk management at each phase of procurement. Expand the boxes below to learn more.

[Expand all](#)

[Collapse all](#)

Qualify phase

Journey step	Overview
Align need with strategy	<p>When determining if a project is fit for an innovation procurement approach, buying teams should recognise that many of the eligibility criteria bring probity risks to drive innovation outcomes. Getting the benefits of innovation requires a commitment to managing probity risks rather than removing them. Buying teams should think about how to approach their initiative in a probity-rich way, including through:</p> <ul style="list-style-type: none"> • desire to deliver business outcome regardless of solution • willingness to take a solution-agnostic, outcomes-based approach • willingness to test and learn to improve understanding of the problem and solution • willingness to invest time and resources on setting buying project up for success • willingness to explore a range of market solutions and/or engage multiple solution providers • willingness to work with an iterative governance structure • desire to build an evidence base on value or benefits to inform a business case.

Discover phase

Journey step	Overview
Design a buying pathway	<p>Every buying pathway brings probity challenges and innovation benefits. The more interactive supplier engagement in most innovation buying pathways can amplify probity risks, with careful treatment required to protect innovation benefits.</p> <p>Buying pathway resources: Innovation pathway</p>
Mobilise the buying team	<p>At this step buying teams need to align on probity risks and mitigants. They should also plan what roles need to be involved in addressing probity, and how decisions can be made in a transparent and timely manner.</p> <p>Mobilise your buying team resources: Mobilise your buying team</p>
Scope for innovation	<p>A well-defined, outcome-focused challenge statement helps ensure public funds are used appropriately and suppliers have a level playing field. It signals the full extent of the opportunity to ensure transparency and informed participation for suppliers.</p> <p>Scope for innovation resources: Define your challenge statement</p>
Conduct market research	<p>Engagement with any suppliers in the Conduct market research step should ensure there is no actual or perceived advantage for those suppliers in a future opportunity. Buying teams should ensure that suppliers have clear expectations about any commitments arising from their involvement. Any interactions with suppliers need to be well documented. Any insights gained from closed supplier engagement should be made available to all potential tender respondents.</p> <p>Conduct market research resources: Sources of market information</p>
Develop your iteration plan	<p>To be comfortable with an iterative approach, approvers will need assurance that the procurement will be probity-rich. The decision about engaging a probity advisor should be made before or during this step. Probity advice will help buying teams anticipate when to expect probity issues as new information is uncovered, and how to treat them.</p> <p>Develop your iteration plan resources: Develop your iteration plan</p>

Plan phase

Journey step	Overview
Document your requirements	Probity advisors may be engaged to review the scope of deliverables and will need to be made aware of how the innovation scope might differ from technical requirements. Define a challenge statement resources: Define a challenge statement
Define evaluation criteria	Well-framed, high quality evaluation criteria and an aligned Evaluation Committee ensure a robust and defensible process. Define evaluation criteria resources: Define evaluation criteria
Document your market approach	The probity controls developed and decisions taken during the Discover phase will need to be documented in the buying strategy. Document your market approach resources: Document your market approach

Source phase

An agile procurement approach can involve multiple Source phase(s). As each Source phase begins, insights gathered from prior steps or stages need to be reviewed to ensure any resulting changes to probity controls are made.

Consultation and contribution may be required from probity advisors in preparing market-facing documentation to ensure key positions are communicated appropriately. Their focus will be on whether the requirements support competition and informed participation, including for any future scale opportunities.

Manage phase

An agile procurement approach can involve multiple Manage phase(s) and, like Source, involves bringing forward prior lessons to iterate upon and shape future steps.

Any changes made during these phase(s) should be managed through clear communication with stakeholders covering what the change is, why it has occurred and any potential probity impacts relevant to their role.

Who to involve

Probity is everyone's responsibility, from senior management to project team staff, however it will be the buyer's responsibility to seek and follow advice.

Expand the boxes below to learn about the stakeholders who can help understand probity and embed it in all procurement activities.

[Expand all](#)

[Collapse all](#)

Risk, probity or governance

Probity specialists within an agency can explain the principles all project staff should follow and ensure good management practices are built into every stage of the process. Risk or governance professionals can usually support buying teams in a similar way. They can help plan specific activities where probity risks are heightened. Relying on internal expertise minimises reliance on external advice and helps build up innovation capability.

External probity advisor or auditor

An external input on probity may need to be engaged if:

- the integrity of the process (or part of it) may be questioned
- the process is extremely complex
- the project is politically sensitive, controversial or vulnerable to corrupt practices
- there could be a perception of bias or favouritism
- there are substantial costs to prepare submissions
- there is substantial government funding involved
- internal probity or risk specialists don't have capacity to support the project.

Innovation buying projects with multiple stages can be extremely complex, particularly for agencies that don't routinely support these kinds of projects. Checking early on the agency's view about whether external probity is needed will ensure any external probity advisor can be budgeted for and that advice is timely and effective.

Scope of works for an innovation probity advisor

Read about [how to engage an external probity adviser or auditor ↗](#).

To access a template or sample scope of works for probity advice, contact the Test and Buy Innovation advisory team at InnovationProcurement@customerservice.nsw.gov.au ↗. The team will ask you some questions about your project to ensure the scope of works can be tailored to your innovation outcomes.

Getting started

Amplified probity-related risks

Treatment options for probity-related risks

Probity resources for buying innovation

Amplified probity risk

Break risk down into innovation tactics with smaller manageable risk.

east

Probity risk treatments

Build confidence to balance probity risk with outcome rewards.

east

Explore Test and Buy Innovation

- Stakeholder managementeast
- Roles and responsibilitieseast
- Engage the right experts for each stepeast
- Agile procurement frameworkeast
- Agile principles and benefitseast
- Agile buying for the public sectoreast
- Amplified probity riskeast
- Probity risk treatmentseast
- Get ahead of probity and riskeast
- Manage innovation buying riskeast
- Key innovation buying risk conceptseast ↗
- Apply agency risk frameworkeast
- Worked risk exampleeast
- Policy support for buying innovationeast
- The innovation buying journeyeast
- Learn about Test and Buy Innovation Programmeeast ↗

- Get help from Test and Buy Innovation advisoryeast ↗