

Telling the time by your watch

A public submission by Kiah to the inquiry into management and assurance of integrity by consulting services

Foreword

Thank you for the opportunity to provide a submission to the inquiry into management and assurance of integrity by consulting services. Our focus at Kiah, by design and choice, is on assisting in the better delivery of public services: through the public and private sectors and at the junction of the two.

Sometimes individuals behave badly, and they should be dealt with accordingly. Where trust and confidentiality have been breached then the response should be swift and appropriate. Sometimes corporate cultures encourage such behaviours and, where evident, those companies should only be awarded work of less sensitivity.

We are, however, cautious of the Australian Public Service (APS) holding industry to a standard different to which it holds itself. There is nothing wrong with the APS values, they just have to be lived. There is evidence this is not always the case.

However, conflicts of interest are unavoidable when working across the public-private sector boundary.

The conflict arises because the interests of the parties are at odds. The public service seeks to spend for a social outcome, private companies seek to increase revenue for their own outcome. This conflict needs to be minimised.

Ultimately the buyer (public service) controls the market and needs to make wiser choices. There is a divide between advisory and support services (above the line) and solution delivery (below the line). If a company operates in both zones, it is conflicted. We don't allow audit and advisory to be mingled, so neither should we allow advisory and solutions services to cross-over. Unfortunately, the APS now seems to encourage the dilution of the separation of roles as it provides for ease of management. In at least one significant instance in the APS, it is mandated. This needs to change.

It is in Australia's interest to foster the development of an industry that services the APS, not one that services itself.

I hope this submission provides value and I will be delighted to discuss any aspects personally.



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21st April 2025



Background

At their best, consultants provide specialised expertise, an objective perspective, and help the government make better decisions to the benefit of the Australian people. At their worst, consultants can create a culture of dependency, are costly when they further their own interests above their clients, and work for multiple clients with potentially conflicting interests.

On 9 March 2023, the Senate referred an inquiry into the management and assurance of integrity by consulting services provided to the Australian Government to the Senate Finance and Public Administration References Committee. The Committee is to report on the Inquiry by 26 September 2023.

The Committee was specifically invited to inquire into:

- a. the management of conflicts of interest by consultants,
- b. measures to prevent conflicts of interest, breach of contract or any other unethical behaviour by consultants,
- c. enforcement measures taken in response to integrity breaches, such as the inadequate management of conflicts of interest, breach of contract or any other unethical behaviour by consultants,
- d. the management of risks to public sector integrity arising from the engagement of consultants,
- e. the transparency of work undertaken by consultants, and the accountability of consultants for this work; and
- f. any other related matters.

The inquiry was called as a result of reported unethical behaviours amongst the ‘Big four’ consultancy firms. We don’t observe all firms behaving this way, but we do see the potential for all companies and individuals to behave inappropriately at times. While it is evident that some elements of the industry have not acted to a reasonable standard, elsewhere the industry has responded to market drivers in exactly the way one might anticipate.

Our submission offers some insights into the problem and offers approaches to assist government to address the conflicts of interest.

An introduction to Kiah

We outline in more detail at Annex A where Kiah fits into the consultancy world. Our focus, by choice and design, is on assisting in the better delivery of public services: through the public and private sectors and at the junction of the two.

We are not a behemoth but nor are we trivial, punching well above our weight. We deal with the urgent and intractable, often taking us into problematic areas that need resolution and rebuild. Clients have asked us to lead the delivery or recovery of multiple billion-dollar programs. Around 60 people have chosen to join us on this journey, today.

Breaking through is our business. Our teams are often built from industry, bringing a practical experience to the more traditional, strategic but theoretical world of consulting.

You can’t break through if you don’t have the courage to address the truth. That is why we sometimes seem confrontational. Making difficult choices needs difficult conversations. Unfortunately, we have seen compliance and comfort replace ethics and honesty – amongst both our consulting colleagues and our clients.



We are in the business of leadership, and leadership takes courage. These are the foundations of our business. Technical expertise we can get anywhere.

All consultants are conflicted

At some level all consulting companies are conflicted. Companies have an interest in building business, revenue, while the APS is in the business of spending money to deliver a social outcome. Aligning the two differing interests so that one party addresses the interests of the other to further their own is the key to a valuable outcome. This is the essence of enlightened self-interest.

If the APS understands when engaging consultants that if it can offer profitable growth in return for performance – which might be a service, product delivery and confidentiality – the consulting company will deliver those things in order to enjoy the benefits. The problems arise when self-interest, growth at any cost, over-rides other considerations.

An obvious cause of conflict is the occasional poor behaviour by a consultant: the inappropriate use of information made available to them in confidence. An incident recently received much press. This isn't just a conflict, it's a breach of confidentiality and trust. The behaviour was egregious but not, in our opinion, systemic across the industry.

Unfortunately, some individuals do behave badly. Individuals should bear the consequences of their actions and not hide behind some corporate veil. Nor should a company bear the consequences for an individual's unacceptable behaviour. However, we also acknowledge and explore that some corporate cultures are accepting of such behaviour. How companies behave, and the behaviours they foster, ought to be a consideration when engaging with them.

In essence, all consultants have some conflict with the objectives of the public service buyer as all consultants have a drive for growth – whether it be an individual looking for their next job or a major company seeking the next big deal.

Consultants in context

The consulting industry is not homogeneous. Treating all consultancies equally might deliver some inappropriate responses.

We see four core pillars that are captured by the term “the consulting industry”, though we acknowledge the boundaries are blurred and behaviours varied. Nevertheless, we have found it useful when discussing the industry to characterise it into four broad segments:

- Strategy consulting
- ‘The Big Four’
- the Consulting Tundra
- the New Wave

These groupings are explained in a little more detail in Annex B.



We observe the low value, low IP “body shop” Consulting Tundra developing as a strong segment servicing the APS, especially Defence. The APS often seeks surrogate resources, but surrogate resource’s bring little new value and ideas to the table. This is the province of many small and new businesses as they nibble on the edges of the industry, seeking to clean up the titbits left free by the big companies. The remora of the industry. Their agenda is growth, to make money until they are devoured by a bigger company that wants a workforce and some new contracts. It is a simple, low cost of entry business model with an harmonious, and perhaps just a little too comfortable relationship with the buyer.

We notice some of the ‘Big Four’ adopting this surrogate resourcing business model – because it is easy way to grow and conforms with the way the APS is seeking to buy. There is a mantra in business sales – don’t make your buyer work. The APS is too often unsophisticated in its procurement. It lacks commercial acumen seeking the simplest procurement options, and in so doing has created a large and simplistic demand to which the industry has responded.

‘The Big Four’ are about scale. They are essential, and large, for a reason. They can be very good at what they do because only they can meet the needs of large-scale implementation work. Counter intuitively they can be structurally quite small – effectively a collection of cooperating small businesses run by Partners whose personal benefits and influence within their ‘Big Four’ home is derived from their successful growth. If the organisational culture, and revenue incentives, are misaligned – then self-interest over-rides the client interests. This is a poor outcome, but too often evident.

The Strategy companies are also focussed on revenue, but through the impact of the work they do rather than the scale. The ‘Big Four’ and others like them, also do strategy to create an advantage for scale. Strategy work, for them, is an avenue to understand the client and find an edge in winning large-scale work. If their focus is on a large-scale delivery, then they are conflicted if they are also the designer of the requirement. This is working ‘above’ and ‘below’ the line that divides advisory support and services from solutions delivery. Yet merging work across this boundary is now quite normal within the APS, with the APS generating a wealth of arguments that support the decision to accommodate or ignore the inherent conflict. It is self-serving, by both parties and requires urgent reform.

The New Wave are driven by making a difference – either because they have a social agenda following an owner’s ‘purpose’ or they believe they have a differentiated value approach. It would be wrong to suggest they do not seek revenue and growth, of course they do, however, it is balanced by a vision and passion for making a difference. These companies are not immune to conflicts, but they are often seen as driven by a vision rather than near term growth agendas.

Fertile ground for conflict

Conflicts, real or perceived, cannot be avoided. Nor can consultants. To what extent consultants should be used is an ongoing debate, but at some level they will be used. The question really becomes how to better manage conflicts.

Corporate culture provides a foundation on which employees base their behaviour. A strong culture can be very positive, but it can also reinforce unhealthy attitudes and obstacles. Repeated inappropriate behaviours by individuals, an aggressive corporate leaning to expansion, and an incentive programs that heavily reward growth, provides fertile ground for aberrant behaviour.



These factors form part of a trust equation and should be part of the choice with whom we might choose to work. Particularly in sensitive areas where there is access to information and potential for advice that serves the client not the company.

Companies also react to the signals provided by the buyer. Government procurement is such a large market for many it is an effective monopsony, a single buyer. The buying power shapes the behaviours in the market. This is easily evidenced by the creation of a 'body shop' consulting industry in response to the procurement practices of the APS. It also follows that if the APS values are not evident and upheld, then companies and individuals whose focus is on growth and appeasement may well follow that lead.

The APS in recent years has shown itself to be somewhat expedient in its ethics, Robodebt being the most prominent recent example. It has also demonstrated an unwillingness to enforce consequences where transgression is evident.

If the value system of the APS is seen as 'expedient', then those with weaker organisational cultures will follow the APS lead. The APS simply does not live the espoused objectives of professionalism, efficiency, and working in the best interests of the Australian community. It is too accommodating of poor performance and makes too many choices that ease the work of the public servant rather than choosing more challenging and difficult personal pathways that would provide better advantage to the Australian public.

Defence, for example, have mandated that its procurement organisation (CASG) acquire its professional services support from four companies. The approach may be legally defensible, but it gives rise to a comfortable relationship and, without competition and openness, a conflict of advice – “you need additional services, we are the ones available to offer those services”. It leaves the process open to the delivery of advice that services the need of the seller not the buyer – and it is easy and safe for the public servant. It also has negative effects on competition and growth as well. It demonstrates ease of work over delivering value for the public.

The APS itself provides fertile ground for unacceptable behaviour. This is not to condone the behaviour of some companies and individuals, but the APS by its actions is not discouraging the behaviour.

The risk to public sector integrity doesn't arise from consultants, it arises from the behaviour of the public service. One doesn't have a lapse in integrity because of someone else's actions, the failure is all due to the choices made by the individual.

The APS needs to remedy its internal behaviours, demand that the values of the APS be upheld, with appropriate consequences for transgressions. The APS cannot expect those servicing them to hold themselves to standards to which it does not hold itself.

The APS values are fine, living the values needs some effort. Leadership is everything.

Minimising conflict

If we accept conflict will arise simply in the course of doing business with business, the question arises is how to minimise those conflicts. There are some simple steps.

Reducing competition across boundaries where conflict will arise would help. Those who give advice on what needs to be implemented should not be in the competition for implementation. Those who are managing programs of work, shouldn't be delivering the work. Ultimately this is the simple separation of power.

It is too easy to hire one company to provide both advice and the delivery. It makes it easy for the buyer – and is based on arguments of continuity of knowledge, reduction of transition risk, and investing in partnerships. There are few partnerships between the public and private sectors because the objectives are fundamentally in conflict



and the parties do not co-invest or carry joint risk. That's not to say there can't be good working relationships – but the relationship has an underlying conflict.

The arguments for a single supplier above and below the line are self-serving, confirming the bias for simple relationships and ease of work for the APS. Expedient, simple, and simply not a good business choice. It reduces competitive tensions within the advisory and delivery segments and dampens the development of the new business growth in those markets.

This gives rise to the same conflict that arises with the provision of audit and advisory services. You can't do both without high risk – so across industry we no longer allow both services to be provided to the same company by the same advisory and audit firm. In the 1990's this problem was so large that the firms were split and sold off their advisory arms. Interestingly, most of them have now rebuilt that consulting capability and once again face the same conflict of interest.

Businesses may provide advisory and above the line support services and choose to stay in that market. Strategy and New Wave businesses may choose this path. Others will recognise the business opportunity of being in long-term, large-scale delivery and seek to move below the line into solutions delivery. This is a valid commercial choice. We see, for example some Strategy companies seeking to move into the solutions business.

Providing advisory and support services, or solutions - above or below the line - is a choice. You can't be both without conflict. There becomes a tipping point where you are one or the other. The 'Big Four' and their associated solutions companies want a foot in both camps. The APS broadly encourages the conflict because it is easy to manage the single supplier. Defence have mandated this approach with their MSP model.

The size and special needs of the public sector warrant the development of a specialist consulting segment that provides advisory and support services, one that is not conflicted by the enticement of the scale and revenue open to the solution provider. It needs to create an environment for such an industry to develop, and actively foster its growth.

Unfortunately, the current approaches are easy for the public servant but are strategically unsound and foster a conflicted environment. They dampen the development of an industry that is focussed on supporting the APS. This is a journey as scale and capacity of the alternates to the big companies, who work in both zones, is limited because of the buying behaviour of the past.

The longest journey starts with the first step.

Conclusion

Conflicts of interests are unavoidable.

Sometimes individuals behave badly, and they should be dealt with accordingly. If a conflict has given rise to a breach of trust and confidentiality, then the response should be swift and appropriate. Sometimes corporate cultures encourage such behaviours, usually through an undue emphasis on growth. Companies with evidence of those cultures should be awarded work of less sensitivity.

We are cautious of the APS holding industry to a standard different to which it holds itself. There is nothing wrong with the APS values, they just have to be lived.

Conflicts of interest arise simply in the course of doing business with business. It is particularly challenging across the public-private sector divide where the interests of the parties are at odds with each other. One seeks to spend for a social outcome, the other to increase revenue for their own outcome.



This conflict needs to be minimised.

Ultimately the buyer controls the market and needs to make wise choices that avoid conflict. There is a divide between advisory and support services (above the line) and solution delivery (below the line). If a company operates in both zones, it is conflicted. We don't allow audit and advisory to be mingled, nor should we allow advisory and solutions services. Unfortunately, the APS now seems to encourage the dilution of the separation of roles as it provides for ease of management. In one instance, it is mandated.

The size and special needs of the public sector warrant the development of a specialist consulting segment that provides advisory and support services, one that is not conflicted with et scale and revenue that is so enticing for solution providers. We acknowledge that scale and capacity would be an immediate challenge.

It is in the APS' interest to foster the development of an industry that services the APS, not one that services itself.



Annex A - An introduction to Kiah

Kiah is an Australian, veteran owned consulting firm with more than 50 employees. Our head office is in Canberra, and we also have offices in Melbourne and Brisbane.

Kiah provides a range of consulting services such as project and program management, procurement, risk management, negotiation, contract management, professional development and contract management training, crisis and media communication and many others. The difference is Kiah works to solve the problem quickly and doesn't look to milk further profit from Departments struggling with the ambiguous, the complex and the chaotic. We do one job, we get the job done.

Kiah has been working with Federal Government clients for more than 20 years building long-term relationships and delivering outcomes that align with their strategic goals. We emphasise the importance of building a culture of trust and collaboration, both with our clients and within our team.

Much of our work is in Defence where we have been recognised for our endeavours including commendations from two Chiefs of the Defence Force as well as multiple consultants recognised for their contribution at all levels. Some of the stand-out projects:

- providing the core of the PMOs of two of Defence's largest and most complex programs (Integrated Air and Missile Defence (IAMD) and Defence Enterprise Resource Planning (ERP)).
- building some of the most innovative commercial agreements (Saab CMS Enterprise, RPDE, Rizzo reform, the C1/D satellite).
- reconstructed or delivering on the complex and the urgent (catering in Afghanistan, logistics support in Timor Leste, aviation support to the Middle East, Defence Logistics contract dispute and restructure, establishing the Defence Fuels Supply Chain).

Not all our work is Defence. We have also:

- dramatically improved the flailing distribution of vaccines by establishing the operations centre for the COVID Vaccine Task Force.
- increased the number of Aged Care Providers in the market by reducing approval times.
- delivered twice the value of previous approaches to whole of government international telecommunications delivery.

We work as a partner with our clients, working alongside them and their teams. As one client put it, *"you deliver from the inside out"*.

We are in the business of breaking through, whether it be gaining government approval, providing insight so clients can make better decisions, or establishing an innovative way of working – internally or with industry – the technology isn't the issue, the problem space is our space.

It is with this context that we are responding to this inquiry.



Annex B - The structure of the “consulting” industry

The consulting industry is not homogeneous – not all consulting businesses are the same. We see four core pillars that are captured by the term “the consulting industry”:

- **Strategy consulting**

These are the high-end strategy companies. Amazing diagrams, great presentations and an extraordinary capability for analytics, data presentation and insight. They are usually called in by the public sector to solve the big picture puzzles. Taking 10% off global business costs is easy, making enduring change to take 10% out of a public sector activity is extraordinarily difficult. Their logic is indisputable. We find their plans are often impractical and unimplementable.

- **‘The Big Four’**

Including those who aspire to join their ranks. Their business is leverage and scale. They are good at what they do – scale! Their model relies on process and methodology. A Partner to lead, less experienced personnel to deliver against a methodology. This works if your problem is similar. It’s disastrous if methodology is the answer to someone else’s problem. That results in a poor toolset being used by a team ill-equipped to adapt. The response is a demand for more resources, because the answer to a problem too often seems to be “more”. Unfortunately, this seems to be thought of as a sage choice.

While often pilloried around big project failures, big projects carry big risk and risk sometimes eventuates. They do good work in the right circumstances, in the right frame, or they wouldn’t be the “Big Four”. But sometimes the ongoing disaster and cost is a failure to adapt, relying on scale and size to drive through. In some respects it is their size which has led to this inquiry as they may have the scale for managing implementation and large projects – but they don’t handle ambiguity and the ill-defined well. IP, scale, experience, size, – and brand and name – is a guarantee of success.

- **The Consulting Tundra –**

Typically, these are small to mid-size companies servicing the needs of an owner or two, often designed for eventual sale to one of the bigger companies. They represent the Consulting Tundra. They might have some good branding and smart sales but rely almost solely on the experience of the individual they have hired. They provide little investment in corporate IP, or the individual they hire.

If you want a surrogate resource, these are the companies to seek out. We don’t see them as good value, they provide quantity, not necessarily quality. In the public sector space they tend to be revolving door consultants. One day in the service, the next day on the outside selling in. They might be useful for short-term surge or gap filling, but there is no net gain to the public sector long term. No new ideas, no IP, no value other than surrogate resourcing – all at an inflated price.

This industry in the Federal Public Sector has been built on the back of a demand for exactly these services. They are bad for the industry and bad for the public sector.

- **The new wave –**

There is a new wave of specialist and boutique consulting companies. Sometimes the brainchild of Partners who have split from the Strategy and Big Four companies. They sit alongside other specialist companies where the founders have built them on a premise of focus and purpose.

Interestingly we are seeing Big Four Partners leaving to start boutique advisory consulting businesses. The problem is advisory isn’t execution. Kiah believes by bringing together the right specialists in



advisory and execution you can get better outcomes, faster, at a better cost. But you must lead the engagement towards your strategic outcome and you must address conflicts of interest right at the first RFQ stage.

We provide this context as treating all consultancies equally might deliver some inappropriate outcomes.