THE IMPACT OF DIGITAL TRENDS AND TECHNOLOGIES ON GOVERNMENT IS PERVERSIVE

Digital trends and technologies are disrupting the public sector and impacting domains* significantly.

Disrupting public sector
- 76% (Great extent)
- 35% (Moderate extent)
- 23% (Small extent)
- 18% (Not at all)
- 8% (Don’t know)

Impacting domain
- 96% (Great extent)
- 39% (Moderate extent)
- 20% (Small extent)
- 2% (Not at all)
- 2% (Don’t know)

Fully 82 percent see digital technologies as an opportunity.

*Domains include public sector areas such as defense, education, health care, and transportation, etc.
HOWEVER, THE PUBLIC SECTOR IS NOT EQUIPPED TO TAKE ADVANTAGE OF THAT OPPORTUNITY

Nearly 70 percent think they are behind the private sector in terms of digital capabilities and less than 40 percent are satisfied with how their organization has reacted to digital trends.
IN FACT, ONLY 13 PERCENT OF GOVERNMENT ORGANIZATIONS SURVEYED ARE AT A DIGITALLY MATURING STAGE

Maturing 13%

Developing 60%

Early 26%
BUT WHAT DOES DIGITAL MATURITY MEAN?

Re-imagining an organization through digital so as to improve processes, engage talent and drive new and value generating service models for citizens.

Maturity assessment framework:

**Processes**
- Innovation and collaboration;
- Citizen service; citizen involvement;
- Open source usage; enabling procurement

**People**
- Digital know-how; ability of leadership; workforce skills; avenues to upskill; enabling talent

**Preparedness**
- Strategy articulation; investment; reaction and response to digital trends; capability benchmarking

Based on this framework we classified organizations as *early stage, developing or maturing*
We conducted 130+ interviews that revealed five factors that are shaping digital transformation—strategy, leadership, workforce skills, digital culture, and user-focus.
What separates digital leaders from the rest is a clear digital strategy combined with a culture and people that drive transformation.

<table>
<thead>
<tr>
<th></th>
<th>EARLY</th>
<th>DEVELOPING</th>
<th>MATURING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>Aimed at cost reduction</td>
<td>Aimed at improving customer experience and decision making</td>
<td>Aimed at fundamental transformation</td>
</tr>
<tr>
<td>Leadership</td>
<td>Lacks awareness and skills</td>
<td>Digitally aware</td>
<td>Digitally sophisticated</td>
</tr>
<tr>
<td>Workforce</td>
<td>Insufficient investment</td>
<td>Moderate investment</td>
<td>Adequate investment</td>
</tr>
<tr>
<td>development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>User focus</td>
<td>Absent</td>
<td>Gaining traction</td>
<td>“Central” to digital transformation</td>
</tr>
<tr>
<td>Culture</td>
<td>Risk averse; disintegrated</td>
<td>Risk tolerant; accommodates innovation and collaboration</td>
<td>Risk receptive; fosters innovation and collaboration</td>
</tr>
</tbody>
</table>

AND THESE FACTORS VARY ACROSS MATURITY LEVELS
“Transformation means more than fixing websites. It goes deeper than that, right into the organizations behind the websites. There's a logic to it: digital service design means designing the whole service, not just the digital bits. If you're redesigning a service, you need to think about the organization that runs it.”

— Mike Bracken, Former Chief Digital and Chief Data Officer
UK Government
**Objectives of a Digital Strategy (% Agree/Strongly Agree):**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Early</th>
<th>Developing</th>
<th>Maturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase efficiency</td>
<td>64%</td>
<td>88%</td>
<td>95%</td>
</tr>
<tr>
<td>Improve customer/citizen experience and engagement, and transparency</td>
<td>55%</td>
<td>89%</td>
<td>94%</td>
</tr>
<tr>
<td>Create or access valuable information or insights for innovation</td>
<td>33%</td>
<td>68%</td>
<td>85%</td>
</tr>
<tr>
<td>Create or access valuable information or insights to improve decision making</td>
<td>42%</td>
<td>76%</td>
<td>83%</td>
</tr>
<tr>
<td>Fundamentally transform our organization processes and/or organization model</td>
<td>34%</td>
<td>66%</td>
<td>81%</td>
</tr>
</tbody>
</table>
"I think leadership is absolutely key. You need a leader who has the confidence to embrace change, to listen to different models, and then empower his people to get on and do it."

– Mike Beaven
Transformation Programme Director
Government Digital Service, UK
DIGITALLY SAVVY LEADERSHIP IS A GAME-CHANGER

The digital agenda is led from the top

Who leads digital strategy?

Does any single person or group have the responsibility to oversee/manage your organization’s digital strategy?

Percent Strongly Agree/Agree

<table>
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<tr>
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<th>Mature</th>
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<tbody>
<tr>
<td>Confident about leadership’s understanding of digital trends and emerging technologies.</td>
<td>7%</td>
<td>60%</td>
<td>96%</td>
</tr>
<tr>
<td>Leadership has sufficient skills to lead organization’s digital strategy.</td>
<td>4%</td>
<td>42%</td>
<td>86%</td>
</tr>
</tbody>
</table>
Recruiting digital specialists and plugging them into the right slots is going to be one of our challenges. At the end of the day, give me great talent over great technology.”

– Tony Scott,
Chief Information Officer, US
DIGITALLY MATURING ORGANIZATIONS BUILD SKILLS TO REALIZE THEIR DIGITAL STRATEGY

Digitally maturing organizations are 13X more likely to provide employees with needed skills than less digitally mature.

<table>
<thead>
<tr>
<th>Organization provides resources or opportunities to obtain the right skills to take advantage of digital trends</th>
<th>Early</th>
<th>Developing</th>
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<tbody>
<tr>
<td>6%</td>
<td>35%</td>
<td>77%</td>
<td></td>
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<table>
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<tr>
<th>Employees have sufficient skills to execute organization’s digital strategy</th>
<th>Early</th>
<th>Developing</th>
<th>Mature</th>
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<tbody>
<tr>
<td>15%</td>
<td>34%</td>
<td>70%</td>
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Many companies at the early stages lack the ability to conceptualize how digital technologies can impact the business.
“You need to be very clear, to draw a line in the sand. Yes, there are 7,000 government needs that we need to meet in order to do what we do, but all of those should be secondary to the user need. That’s the only way this will work.”

-Jen Pahlka, Founder, Code for America
# Digitally Maturing Organizations Exhibit Greater User-Focus

## Primary Drivers of Digital Transformation

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<td><strong>Customer/citizen demands</strong></td>
<td>26%</td>
<td>38%</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Cost and budget pressures</strong></td>
<td>43%</td>
<td>27%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Federal/central government directives</strong></td>
<td>16%</td>
<td>11%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>15%</td>
<td>10%</td>
<td>12%</td>
</tr>
</tbody>
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### Digital Technologies and Capabilities

- Digital technologies and capabilities enable employees at my organization to work better with customers/citizens
  - **Early**: 51%
  - **Developing**: 90%
  - **Maturing**: 100%

### Improving Customer/Citizen Engagement

- Improving customer/citizen engagement and experience and transparency is an objective of organization’s digital strategy
  - **Early**: 55%
  - **Developing**: 89%
  - **Maturing**: 94%

### Digital Trends

- Digital trends are improving customer/citizen service quality
  - **Early**: 54%
  - **Developing**: 84%
  - **Maturing**: 99%

### Customer/Citizen Involvement

- Level of involvement of customers / citizens in co-creating digital services for organization
  - **Early**: 5%
  - **Developing**: 11%
  - **Maturing**: 33%
“Our collaboration is really more through adopting agile scrum methodology which requires a lot more interactions and collaboration as you go along and develop services. We haven't utilized any technology to help collaboration, it comes from the virtue of agile scrum methodology.”

— Gavin Till, Chief Information Officer, Christchurch City Council, New Zealand
## Digitally Maturing Organizations Challenge Cultural Norms

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BARRIERS TO DIGITAL TRANSFORMATION
WHAT ARE THE BIGGEST BARRIERS AND CHALLENGES TO DIGITAL TRANSFORMATION?

Top 5 barriers impeding organizational ability to take advantage of digital trends by maturity:

- Early Developing Maturing
  - Lack of an overall strategy
  - Too many competing priorities
  - Insufficient funding
  - Security concerns
  - Lack of understanding

- Early Developing Maturing
  - Lack of organizational agility
  - Insufficient technical skills
  - Lack of entrepreneurial spirit, willingness to take risks
  - Insufficient funding
  - Lack of understanding

- Early Developing Maturing
  - Legislatively and legal constraints
  - Lack of collaborative, sharing culture

What barriers are impeding your organization from taking advantage of digital trends?
MOST GOVERNMENT ORGANIZATIONS LACK THE STRATEGY TO ACHIEVE DIGITAL TRANSFORMATION

Organizations with a clear and coherent digital strategy are:
- Better equipped to respond to opportunities and threats
- Have a culture that fosters innovation and collaboration

46% Have a clear and coherent digital strategy

71 percent of organizations with a clear and coherent digital strategy report digital trends are improving their organization’s ability to respond to opportunities and threats, compared with 45 percent of organizations without a digital strategy
AND THE NECESSARY DIGITAL-AGE WORKFORCE SKILLS

- **90 percent** of organizations say that workforce issues are a challenging area to manage in their organization’s digital transformation.
- Only **34 percent** say their organization has sufficient skills to execute its digital strategy.
- Only **33 percent** say their organization provides the right resources or opportunities to obtain the digital skills they need.

Which of these categories is most lacking in your organization? (select the top three)

- Agility structure: 59%
- Entrepreneurial spirit: 53%
- Technological savviness: 46%
- Business acumen: 42%
- Collaborative processes: 40%
- User experience design: 39%
THEY ALSO LACK KEY ELEMENTS OF A “DIGITAL MINDSET”—
CUSTOMER FOCUS, OPEN FUNCTIONALITY, AND AGILE DEVELOPMENT

- More than **85 percent** of the organizations cited culture as a challenging aspect of managing the digital transition.
- Only **13 percent** of agencies report high citizen involvement in the co-creation of digital services.
- Even for agencies that say citizen demand is the primary driver of digital transformation, the share of organizations significantly engaging with customers and users to co-create digital services still remains quite low at **16 percent**.
- Only **23 percent** report using open source technology to a moderate or great extent.
- Only **28 percent** of government agencies report that digital is altering their attitude toward risk, making them more willing to experiment with agile, iterative approaches.
PROCUREMENT PROCESSES, TOO, NEED TO GET IN STEP WITH DIGITAL TRANSFORMATION

Most significant obstacles to better procurement practices

- **Rules/regulations**: 45%
- **Lack of flexibility**: 39%
- **Procurement skill sets**: 25%
- **Legacy contracts**: 19%
- **Vendor behavior**: 13%
- **Onerous terms and conditions**: 13%

- **76 percent** say that procurement needs to change to accommodate digital transformation, especially to allow for agile development and de-restrict terms and conditions.
- **73 percent** of organizations use both in-house and contracted resources to deliver services, but only **27 percent** said they were satisfied with their vendor community.
ACCELERATING DIGITAL TRANSFORMATION
FIVE QUESTIONS PUBLIC LEADERS NEED TO CONSIDER

Have we looked at our talent pool and planned where our skills will come from?

Do we have a clear and coherent digital strategy which addresses the key elements of digital transformation?

How can citizens and service users be part of our digital transformation?

What have we done to strengthen the innovative and collaborative culture of our organization?

Are the existing procurement processes in our organization suitable to procure digital solutions?

How can citizens and service users be part of our digital transformation?
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