Digital Transformation in the UK Public Sector

2016 Survey and Analysis

Liferay

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Introduction

The constant evolution of technology, paired with financial pressures globally, leaves modern organisations at a digital crossroads.

Liferay's 2014 'Digital by Default, Open by Design' whitepaper – which followed the announcement of the UK government's Digital by Default Service Standard – claimed that the public sector was facing its greatest challenge of a generation. In the years since the pressure has only increased and the subsequent challenges have been keenly felt.

As technology evolves so do consumer expectations, forcing public-facing organisations of all kinds to adapt. Citizens, clients and customers alike demand access to services without barriers or friction. They expect digital journeys to be quick, simple and personal.

With the emergence of new data, a clearer and more contemporary image of this ongoing journey has now been painted. In 2016 Liferay conducted a new national survey of the public sector which garnered over 200 responses from senior public servants. The results of the survey warranted further analysis of the progress made by organisations undergoing digital transformation agendas since the publication of 'Digital by Default, Open by Design'.

The Age of Digital

Over the last decade the UK has seen a huge increase in internet use.

In 2015, 78% (39.3 million) of adults in the UK accessed the internet every day, compared with 35% (16.2 million) in 2006.[1] What's more, in 2015 76% of adults bought goods or services online - a sharp rise from the 53% recorded in 2008.[2] These statistics are clear indicators of the sheer importance of the internet in the daily life of UK citizens.

Furthermore, the way in which the internet is accessed has also been changing. As of 2015, over half of UK households own a tablet device,[3] and 33% of all internet users prefer to surf via their smartphones – an increase from 22% the previous year.[4]

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1 ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccesshouseholdsandindividuals/2015-08-06#computer-and-internet-use
2 ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccesshouseholdsandindividuals/2015-08-06#computer-and-internet-use
3 "The Communications Market 2015 (August) - Stakeholders - Ofcom." 2015. 27 Jun. 2016 stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr1
4 "The Communications Market 2015 (August) - Stakeholders - Ofcom." 2015. 27 Jun. 2016 stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr15

Finally, and perhaps more significantly than increased internet usage, the attitudes and demands of the UK's online population continue to change. 'Digital by Default, Open by Design' stated that "the trend from purely seeking information to transactional service delivery is clear." Today the expectations of internet users have reached further heights than anyone anticipated.

It's no longer a simple case of channel shift. Organisations now have new benchmarks to rise above – including the fact that people expect to be remembered when they return to a website. They expect personalised experiences as standard. Organisations that harness customer data to provide tailored and appropriate digital experiences will be the winners in encouraging people using their services to switch to online channels, which are lower cost and often more convenient for both customer and provider.

Digital by Default

Although customer demands and cost savings play their part, the Digital by Default Service Standard had all but required public sector bodies to at least attempt to undergo a digital transformation agenda. The standard details eighteen criteria to guide governmental bodies through the process of "building high quality government services."[5]

More recently, local UK governmental bodies followed up with the announcement of the Local Government Digital Service Standard, released in 2016[6] by the Local Gov Digital group. They made special mention of the following three aims:

1. Place users at the heart of service design, incorporating their feedback at every step of the way.

2. Create a shared ambition for local government to work to in improving its services to its customers.

3. Help suppliers understand what is expected from their products and services.

In short, the 2014 guidelines needed contemporary revisions for local government agencies, and they hope to provide colleagues across the UK with principles and practices which help reinvigorate their pursuit of digital transformation in a local context.

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5   "Digital by Default Service Standard — Government Service ... - Gov.uk." 2013. 27 Jun. 2016
     gov.uk/service-manual/digital-by-default
6   "The Standard | LocalGov Digital." 2016. 8 Jul. 2016
     localgovdigital.info/localgov-digital-makers/outputs/local-government-digital-service-standard/standard/

Economic Climate

Without a doubt, the global economic climate is still a significant driver for the digital transformation agenda. The global economy continues to face many risks and an uncertain future. The impact of these risks is already being felt within the public sector, as demonstrated in a PwC survey published in May 2016.[7] The survey discovered that 56% of council chief executives fear financial crisis within the next year.

This uncertainty has been compounded by the recent "Brexit" referendum, in which 52% of the British public voted to leave the European Union. Yet public sector organisations across the UK and elsewhere must meet the growing needs of customers despite uncertainty, budget cuts and reduced workforces. Organisations across all industries are being challenged to come up with innovative solutions.

The Survey

Building on the previous whitepaper "Digital by Default, Open by Design," Liferay ran a survey to re-evaluate the digital transformation progress being made by the UK's public sector.

The survey had three aims:

1. To gain insight into the digital transformation journey of public sector organisations.

2. To understand the core concerns of the team leaders in question.

3. To better understand the updated goals and objectives of the public sector in relation to digital strategy.

The nationwide survey was carried out over a three week period and benefited from over 200 responses – 50% of which came from officials within local government. The other half of the responses came from team leaders working within a range of different organisations spanning Central Government, NHS and other services. Together the responses to the survey gave a snapshot of progress amongst digital transformation programmes nationally.

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7 "Council chiefs fearful of service failures in next three years - LocalGov." 2016. 8 Jul. 2016
   localgov.co.uk/Council-chiefs-fearful-of-service-failures-in-next-three-years/40943

Identifying the Key Drivers

The survey asked participants to identify the key driving factors behind their digital transformation strategy:

1. What are the top three existing drivers for your digital strategy?
2. What is the primary way by which you anticipate achieving cost savings?
3. Have you formed your strategy in response to the Digital by Default Service Standard?
4. What are the top three objectives of your strategy?

Drivers

It was of little surprise that the largest driver for digital transformation was "budget squeezes", as attested to by 63% of respondents.

What are the top three existing drivers for your digital strategy?
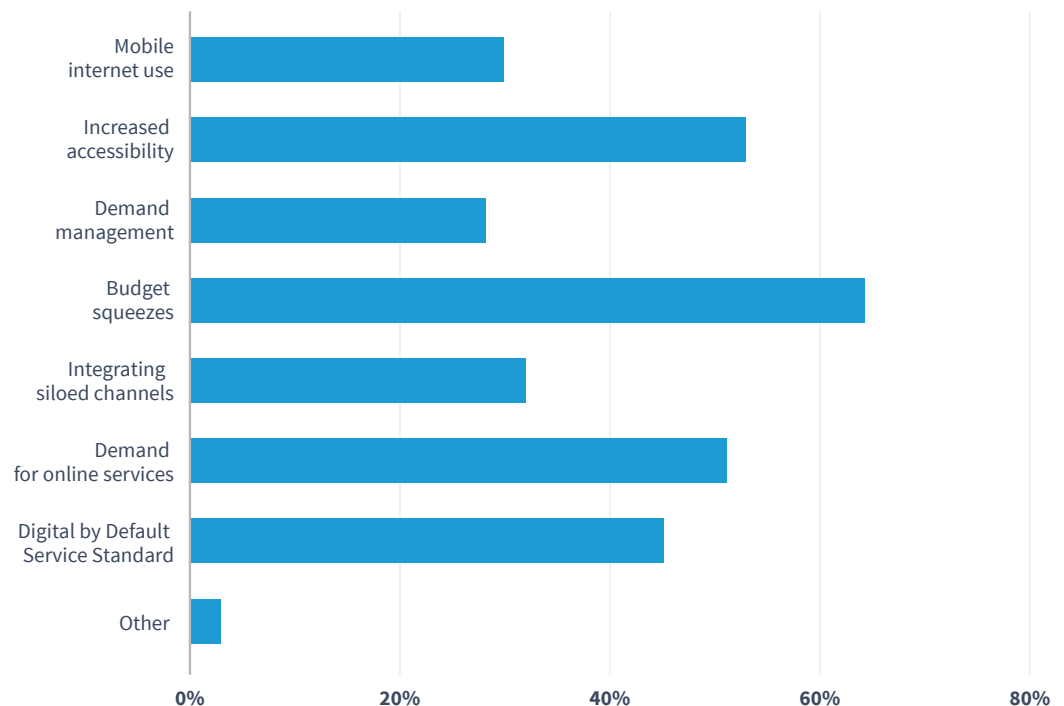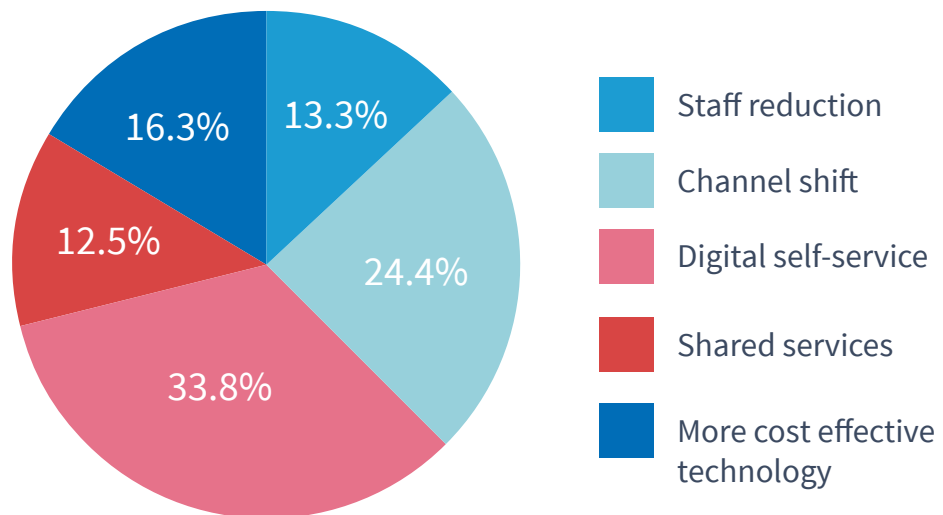

This was closely followed by the need for "increased accessibility" (52%) and the need to meet the "demand for online services" (50%). Taken together this paints a carrot and stick picture of cost savings and demand for digital services. But how did respondents see that being achieved?

Cost Reduction

Over 33% of responses – the highest proportion – stated that "digital self-service" was the primary way by which they would achieve cost savings. Combine this with "channel shift" and we get a significant figure: 57% of respondents see the move towards online services as the main way to achieve cost savings.

What is the primary way by which you anticipate achieving cost saving?

- Staff reduction — 13.3%
- Channel shift — 24.4%
- Digital self-service — 33.8%
- Shared services — 12.5%
- More cost effective technology — 16.3%

Of all respondents already embarked on their digital transformation journey (stating that the foundations are in place, some services are implemented or most services are implemented), only 14% have not yet seen significant cost savings. On the other hand, 44% have seen significant savings already, and an overwhelming 88% anticipate significantly more cost savings in the next three to five years.
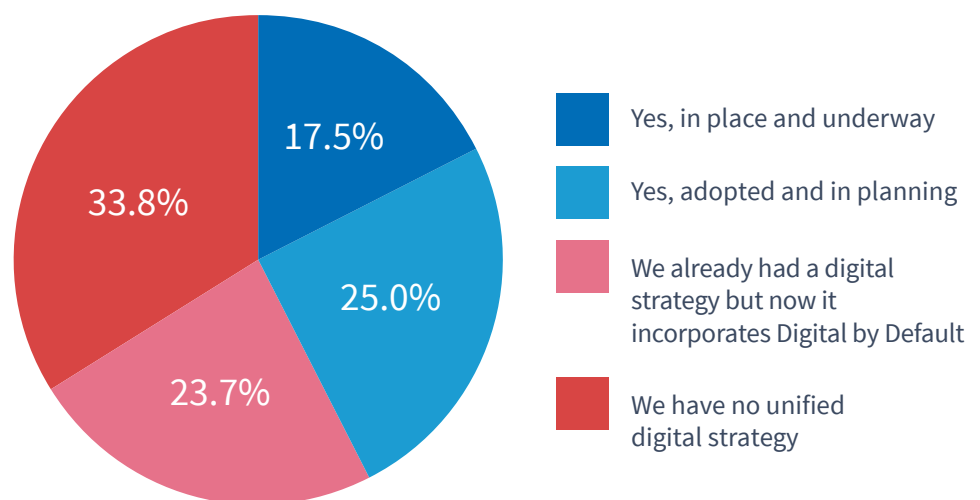
Clearly, the global financial climate continues to drive organisations towards cutting costs, and digital transformation is the primary method of achieving that.

Digital Transformation and Digital Strategy

Digital Transformation is the process of re-thinking a business model or processes in light of the availability of digital technology in order to meet ever-changing market demands. Such transformation requires coordination across the entire organisation since it applies new technologies to fundamentally change the way business is done, and it most certainly requires a strategy in place to achieve it.

Notably, just under 40% of respondents answered, "We have no unified digital strategy". A lack of strategy remains a significant barrier to realising the full benefits to both organisation and citizen. With no unified strategy organisations cannot capitalise on the economies to be had from pooling resources and data from across the organisation's digital touchpoints with customers. This not only inhibits cost savings but also fragments the customer journey and degrades the overall customer experience.

Have you formed your strategy in response to the Digital by Default Service Standard?

- 17.5% — Yes, in place and underway
- 25.0% — Yes, adopted and in planning
- 23.7% — We already had a digital strategy but now it incorporates Digital by Default
- 33.8% — We have no unified digital strategy

Customer Service

In response to a question on the objectives of their digital strategy, the majority of respondents (59%) felt that "changing how people interact with their organisation" was most important.

What are the top three objectives of your strategy?

It's clear that organisations on this journey wish to refashion themselves so that their interactions with citizens/customers are not only improved, but changed fundamentally. The responses indicate that organisations are rightly demonstrating a focus on building better relationships with their customers by completely rethinking how they use and operate the resources available to them.

Many are seeing that the use of advanced digital platforms allow them to better analyse their customer data, collect feedback, and understand customer needs. Personalisation is one way in which organisations offer tailored digital journeys, based on the customer's profile and the individual's interactions with the organisation.

Bristol City Council is a strong example of this. Light was shone on their digital transformation strategy in a recent interview[8] with Tracy Dodds, Digital Services Manager:

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8 youtube.com/watch?v=4_fVY5QJVyA

"Our citizens want to access council services 24/7, when and where they want. We have a big squeeze on our budget so part of the solution is providing digital self-service... We had really positive feedback from the general public as well as internal stakeholders. [People] felt like they were contributing to the site, so the levels of engagement were high."

Bristol's digital roadmap includes many more ways of enabling meaningful citizen engagement, including facilitating collaboration between citizens themselves. The council has also achieved "staggering" business results. £3.5m was spent implementing their new digital platform, and the organisation has already saved over £60m. Significant cost savings, exceptional customer experience, and better customer insight can all go hand in hand.

Overcoming the Tallest Hurdles

Participants were surveyed about the barriers they face when it comes to implementing their organisation's digital transformation strategy: "What are the key challenges in implementing your strategy?"

Organisational Change

31% of respondents marked "organisational change" as their biggest concern. Anecdotally, this is seen as the biggest problem for many at the coalface of transformation. Organisational intransigence and breaking away from ways of working that have been embedded over many years is the greatest impediment to change in the public sector. One respondent stated that "the main challenge is around changing how things are already done and breaking out of systems that are institutionalised." One may conclude that this fear of change is, in and of itself, a restraining factor.

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Digital teams must consider it part of their remit to make the case for digital transformation across their organisation.

The culture of preferring to be rooted instead of being agile is the attitude that seems to be at the heart of things, as reflected in the response from a Senior Customer Experience Manager within local government: "The culture within the organisation needs to significantly change to adopt a more agile approach to delivery."

This cultural stubbornness may also be contributing to the near 40% of organisations that currently lack a unified digital transformation strategy, as mentioned previously.

Recommended Solutions:

In order to turn the tide of restrictive cultural intransigence, the benefits of providing digital experiences to customers and citizens must be communicated and understood across the staff spectrum, including senior managers. It must be the task of digital teams to communicate this; indeed they should consider it part of their remit to make the case for their agenda across their organisation. Those benefits include enhanced efficiency around processing customer and citizen requests, increased customer satisfaction as well as long-term savings for the organisation. How those benefits affect all staff members must also be communicated. Benefits include better access to information, reduced staff stress through greater customer satisfaction levels and liberation from siloed working.

Existing Infrastructure

25% of respondents cited "integration with existing systems of record" as a serious concern. Without the ability to leverage existing data from legacy systems, the journey begins on one leg. Inflexible and fragmented infrastructure inhibits not only the ability to exploit and build on existing resources, it stimies growth going forward. One respondent replied that their biggest concern when thinking about the future of digital business in their organisation was "reliance on legacy IT systems without clear strategy on [the] cost of migration or replacement."

Recommended Solutions:

Time and cost are undoubtedly significant factors when migrating or replacing existing systems. However, this burden can be removed entirely by adopting an open standards approach. The Cabinet Office's Open Standards Principles advocate the interoperability of software, data and document formats. The immediate and obvious benefit of a solution that integrates with legacy IT is the time and money saved by avoiding discarding previous investments. More than that, by embracing open standards and open source an organisation can actually add to the value of legacy IT and increase ROI.

An open source platform can provide an unbiased solution that unifies services. Such a platform could:

- Unify and maximise value of existing infrastructure
- Sit across disparate existing systems
- Be used by multiple departments with differing infrastructure
- Anticipate future innovation and development

Skills Shortage

In addition to the findings above, it's not surprising that the survey highlighted further issues relating to staff. In addition to staff buy-in (another reflection of the challenge of organisational change), skills and capability were the biggest concerns related to staff. Many respondents mentioned inadequately trained staff inhibiting digital transformation, whereas others cited recruitment of trained staff as an ongoing concern. Recruitment and training depend largely, of course, on the availability of appropriate funding. A Project Manager from a Scottish council remarked that his biggest concern was not having "the skills and the finances to truly transform".

Recommended Solutions:

Organisations must dedicate more energy, time and resources to building teams with a high level of digital literacy. This may include a refined recruitment process, although training (and retraining) programmes for existing staff may prove to be the more beneficial option in the long run. Retraining strategies would also benefit workforces facing employee displacement as a result of digital transformation.

Of course, it would be simplistic to think that funding and training are all that are needed to motivate, persuade and equip staff. Professor Rosabeth Kanter of Harvard Business School highlights equally important elements of an organisation that attracts and retains staff in the right way[9]:

- A sense of the organisation's identity and purpose
- Deliberate engagement and even collaboration with the public
- An attitude of innovation that helps staff "express corporate and personal values in their everyday work"

These are helpful to consider when addressing issues related to staff and overall organisational change.

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9   hbr.org/2011/11/how-great-companies-think-differently

Technology Selection

When it came to technology selection, the survey shed some light on the thinking that goes on behind the closed doors of public sector organisations.

1. What are your primary concerns when selecting technology?

2. Has your organisation considered more open source technology in the last two years than previously?

3. "Marketing forms a major part of our digital strategy in the next three to five years." Agree or Disagree?

When it came to primary concerns, three areas stood out: customer and citizen needs, cost and integration with legacy IT.

Customer and citizen needs

Encouragingly, 29% of respondents said that user needs take priority when it comes to selecting technology. Enterprises, charitable and public sector organisations alike need to recognise our increasingly customer-centric digital environment.

Recommended Solutions:

Perhaps the first step towards providing value to citizens is understanding the intended benefits of digital transformation. As previously mentioned, much of the adult UK population accesses the internet on a daily basis and they often turn to their smartphones by default. Websites and services need to be designed with a mobile-first approach. But the benefits of streamlined digital experiences go beyond mere convenience.

Citizens expect to spend their time more efficiently thanks to self-service websites and apps. Not only is expenditure such as transportation cost and postage saved but, more than that, they feel their needs have been met in their own context. Customer satisfaction can be broken by a single moment – a repeated step in a transaction, or completing an online form only to be asked to manually complete it again. By prioritising the customer experience an organisation can begin to shape its digital strategy to work towards a clear vision.

Once these key benefits are understood by organisations, the task of selecting technology can become a question of which solution is best positioned to provide the benefits and overall experience expected by our citizens.

Cost

Coming in at a close second, 28% of survey respondents claimed that cost is a major factor in technology selection. Despite projected savings as a result of digital transformation, organisations are still forced into an immediate-term decision-making process in which cost plays a major part.

Recommended Solutions:

To keep long-term digital transformation strategy alive, organisations should consider new forms of ICT project management and implementations that are more agile and innovative by nature. This may involve implementing more cloud-based software solutions as opposed to on-premise solutions, or investing in training in order to offset long-term support and implementation costs. Additionally, a whole-of-government digital team that can implement these technologies over time may also result in long-term savings. This would lead to directly to enhanced efficiency as well as financial savings.

Once again, aiming to adhere to the Open Standards Principles would directly address the issue of cost, both initial and ongoing. The major benefits of Open Source Software include lower maintenance costs as well as a lower total cost of ownership.[10]

Legacy Systems

With 25% of respondents citing integration with existing systems as a serious concern, as previously discussed, it is logical that 25% again marked integration as their biggest concern when selecting technology.

When it comes to integration, open source technology ought to be seriously considered. Open source gives development teams freedom to integrate old and new technologies in a way that won't disrupt workflows. It ensures an organisation does not have to cut its losses in relation to past investment, but instead continues to gain value from it. An open source platform can also lay a foundation for future innovation. It is by definition flexible and extensible, enabling an organisation to be reactive to changes in technology or customer demand and be prepared for change.

This understanding seems to be growing, as the survey confirmed open source software has been considered more in the last two years than it had previously:

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10 Download Liferay's whitepaper "Open vs. Closed Source" at
    liferay.com/resource?folderId=1645493&title=Open+vs+Closed+Source.

Has your organisation considered more open source
technology in the last two years than previously?

- Yes — 36.5%
- No — 24.3%
- I don't know — 39.1%
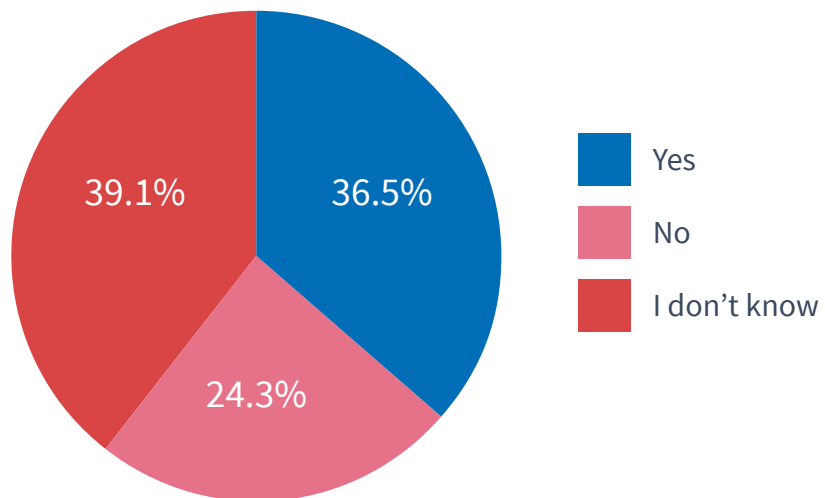
Marketing

A mere 39% of respondents agreed that marketing forms a major part of their organisation's digital strategy. Marketing and the public sector have never been comfortable bedfellows, the latter seeing the former as the dark arts of the private sector. However, the case can be made for a broader interpretation of the term 'marketing'.

The American Marketing Association most recently defined marketing as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."[11]

Recommended Solutions:

This definition allows for marketing to include activities that make participants aware of the full value of what is available to them. This includes not only the citizen-customer but partners and those within the organisation itself.

As it stands, it seems that transformation teams are taking their audiences for granted. As mentioned previously, it is the task of digital teams to communicate benefits. Digital transformation teams must see it as part of their remit to make the case for their agenda across their organisation. This includes

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11   "Definition of Marketing". American Marketing Association. 2013-08-15.
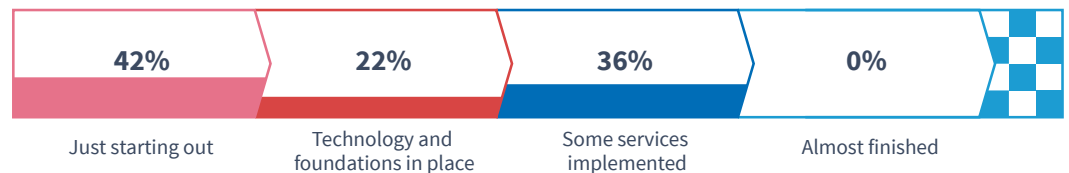
marketing to customers and employees alike. 78% of adults in the UK access the internet every day. Not making the effort to reach such a vast audience is difficult to justify.

An Evolving Journey

Clearly, the UK public sector remains committed to digital transformation. Digital by Default is still very much the end goal, though organisations are at a variety of stages of the journey.

One statistic stands out starkly:

So where are we in the journey to digital transformation?

42%	22%	36%	0%
Just starting out	Technology and foundations in place	Some services implemented	Almost finished

0% of survey respondents thought their organisation was "almost finished" with its journey to digital transformation. With that in mind, there is one glaring question that needs exploration: Is digital transformation a fixed destination, or is it an ongoing journey in a world that is constantly evolving with the demands of its inhabitants? The fact that none of the survey's respondents feels they are near the 'finish line' would suggest that such a line does not even exist. After all, if the hurdles mentioned remain standing tall, many organisations will perpetually lag against the persistent evolution of technology. More positively, if an organisation adopts an approach that is agile, able to react and adapt to changing customer demands, then it will never finish digitally transforming. Digital transformation will instead be an ongoing process that organisations permanently embrace rather than temporarily entertain.

Adopting and Adapting

If digital transformation is an ongoing and ever evolving process, how do organisations adjust to this new reality? In light of the survey results, here is a summary of how organisations both public and private might adopt and adapt:

1. Communicate to all staff the benefits the organisation will reap by providing digital experiences to customers and citizens, as well as how those benefits will trickle down to individual staff members.

2. Assess the strategy behind staff recruitment and retraining in order to maximise teams with high levels of digital expertise.

3. Absorb digital transformation as part of your organisation's core; just like accounting and human resources. The digital world is not about to stop evolving and neither can your organisation.

4. Reassess your organisation's focus on marketing, ensuring not to neglect the internal audience as well as all the customer-citizens who are internet users looking for streamlined and personalised digital experiences.

5. When it comes to technology selection, understand the key expectations that end users have, and opt for open source software to ease the process of legacy system integration.

Conclusion

The outcomes of this survey show that even though change is slow, everyone recognises that digital transformation is on the agenda and must be part of the future if they are to survive. Organisational change – not technology – is the main impediment to this agenda. It is the single most commonly cited obstacle to achieving transformative change.

In light of these outcomes it is up to digital teams to break out of their perceived role of just delivering digital services. Their role is much more important than that. They need to think about what offer they can make to senior teams to really demonstrate how they can help face the difficulties that lie ahead. Those involved in digital transformation are no longer just about delivering great digital services. They are as much about public service reform, change and transformation as they are about technology.

About Liferay

Liferay makes software that helps companies deliver personalised and engaging experiences on the web, mobile, and all connected devices.

Liferay has been named a Leader in Gartner's Magic Quadrant for Horizontal Portals for six consecutive years,[12] serving brands such as Adidas and Bosch, as well as a significant number of public sector organisations in the UK.

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12 "Gartner's Magic Quadrant for Horizontal Portals, 2016 - Liferay." 2016. 27 Jun. 2016 < liferay.com/company/gartner

Liferay supports the work the Government Digital Service (GDS), and works with bodies across the public sector to help implement the Digital by Default Service Standard. Open Source and Open Standards are the DNA of the company, and we believe Open Source underpins a right to choose tools that offer the best quality and value.

Open Standards ensure that over-reliance on any single solution is avoided, and Liferay's business model helps organisations with that avoidance by enabling the implementation of Open Source and Open Standards for robust enterprise-grade solutions.

Liferay and the Public Sector

Liferay has years of experience working alongside public sector organisations in the UK and abroad to deliver increasingly complex solutions with high availability.

IN THE UK:

- London Borough of Camden
- Office for National Statistics (ONS)
- Technology Strategy Board (BIS arms length organisation)
- Bristol City Council
- South Worcestershire County Council
- Devon County Council
- Department for Regional Development, Northern Ireland
- Northumbria Police
- Local Government Association
- Public Sector Knowledge Hub
- Stevenage Borough Council

IN EUROPE:

- European Commission
- European Chemicals Agency
- Ministry of Higher Education and Research, France
- Ministry of Justice, Finland
- Barcelona Metropolitan Transport
- Stockholm County Council (SLL)
- Oslo Municipality
- The Office of the Revenue Commissioners, Ireland
- French Ministry of Defence
- French Development Agency
- Spanish Economic and Social Council
- National Institute of Public Administration of Spain
- German Civil Law Notaries
- Lithuania Department of Statistics
- Canton de Vaud, Switzerland
- European Cluster Collaboration Platform (ECCP)
- The Social Insurance Institution of Finland (KELA)
- City of Oulu, Finland
- Agency for Innovation and Development of Andalusia (IDEA)
- Social Security of Andorra (CASS)
- Office of the Commissioner for Fundamental Rights, Hungary

- City of Chicago, USA
- State of North Carolina, USA
- City of Perth, Australia
- Australian Institute of Marine Science (AIMS)
- The Brazilian Parliament
- Brazil Ministry of Education

- Brazilian Army
- Superior Labor Court of Brazil (TST)
- Ministry of Science and Technology of the
- Brazilian Federal Government

Have Your Say

We are interested in hearing your thoughts on our survey, and the conclusions we drew from it. If you would like to talk further about any point raised in this publication, please contact: michael.macauley@liferay.com.

Liferay

Liferay makes software that helps companies create digital experiences on web, mobile and connected devices. Our platform is open source, which makes it more reliable, innovative and secure. We try to leave a positive mark on the world through business and technology. Hundreds of organizations in financial services, healthcare, government, insurance, retail, manufacturing and multiple other industries use Liferay. Visit us at liferay.com.

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