

Digital Government Study 2015:

# Identifying barriers to transformation

10 principles to support digital initiatives

## Executive summary

Government wants to go digital but, while there is a desire for transformation, change has been slow since the launch of Digital by Default during the last Parliament.

This study reflects on a survey of CIOs, CTOs and IT executives, which has revealed several barriers hindering digital innovation within the public sector. This has resulted in organisations falling behind their private sector counterparts in the race to go digital.

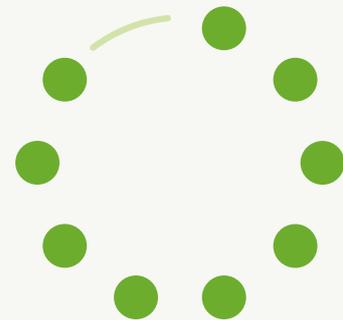
This need not be the case, however, as IT leaders have also outlined ten keys that can help overcome those obstacles - and see the public sector become an exemplar for businesses looking to make digital a reality.

# Why the urgency?

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Throughout the course of the last Parliament, the Cabinet Office put 'digital by default' at the forefront of a drive to reduce public spending. The momentum building behind digital transformation in the public sector can only partly be explained by the government's push to find cost savings, however. Growing expectations from end users – who want the ability to interact with organisations and connect with services online – is also a driver.

If the public sector is going to behave in a fashion comparable to the private sector, then there is also an incentive to remove internal inefficiencies through digital innovation. This need to automate systems and process data quickly and easily is only going to come into sharper focus as we progress into the era of 'Smart Cities'. Organisations are already being asked to make digital data available and provide solutions that promote urban sustainability and improve quality of life.



The Government announced at the end of last year that it now expects

# 90%

of the online population to be using digital channels to access public services by 2020.



Improving the end user experience is a priority for

# 34%

of IT leaders in public sector

*KnowledgeKube survey*

## Public demand

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In launching the Government Digital Strategy policy paper at the end of 2013, the then Cabinet Office minister Francis Maude claimed digital public services were 'lagging far behind' that of the private sector. He highlighted a statistic that showed three quarters (74%) of people were using the internet for car insurance but only half (51%) were doing the same for their car tax.

By improving digital services, the public sector is not just making it simpler for end users to access services, but also encouraging engagement. A greater ability to interact with local services and report issues such as potholes, missed bin collections or street light failures will allow for faster resolution and increased public satisfaction. By bringing customer service up to a level experienced in the private sector, organisations will also promote greater public interaction and improve the democratic process.

# Why the urgency?

## Cost Savings

With austerity still very much on the agenda, the need to reduce public expenditure is a clear objective. By going digital by default, the government estimates that savings of up to £1.8bn could be achieved each year. When an online transaction is estimated to be 30 times cheaper than postal, it is easy to see how organisations can achieve more with less by going digital.

The analyst McKinsey claims that by capturing the full potential of digitisation, governments could free up \$1 trillion annually through improved cost and operational performance. The development of a more efficient digital approach has already been shown to be providing savings in the UK. For example, by building the domain GOV.UK to replace Directgov, Businesslink and 21 ministerial websites, governmental departments are saving over £61m each year.



Driving down costs  
is a priority for

# 23%

of IT leaders in public sector

KnowledgeKube survey

*More than three quarters (77%) of public sector IT leaders agreed that both internal and external processes should be digitised*

*Almost half of public sector IT leaders (46%) believe half of their internal processes are inefficient*

## Government inefficiency

Although progress is being made in moving forward the digital agenda from an end user perspective, there is also an imperative to tackle internal processes.

McKinsey's report on public sector digitisation found organisations could do more to embrace digital innovations to improve performance generally.

The report said: "(Governments) need to take their digital transformations deeper, beyond the provision of online services through e-government portals, into the broader business of government itself. That means looking for opportunities to improve productivity, collaboration, scale, process efficiency, and innovation."

Benchmarking tools have numerous benefits, such as historic and seasonal trend analysis, which allow buyers to identify the best time to purchase particular products. One of the most important features of benchmarking tools, however, is the ability to accurately identify what margin a supplier is charging at any given time. This not only empowers buyers in negotiations, it also enables buyers to clearly report and validate the savings they are achieving.

# Why the urgency?



## Meeting challenges of urban growth

As organisations explore the potential of the Internet of Things (IoT) and Smart Cities to help improve quality of life in urban areas, the digital agenda is going to come into sharper focus.

Digital data is promising to help public and private organisations tackle the challenges growing towns and cities face in the 21st century, such as sustainability, energy efficiency and an ageing population.

We are already seeing Smart City projects emerging across the UK. Bristol is Open is a project that will look at how data can be used to solve problems such as air pollution, traffic congestion and assisted living for the elderly. Milton Keynes' MK:Smart programme, meanwhile, is reviewing how sensors can tell refuse collectors when bins need emptying or alert drivers to free parking spaces. More and more examples of these initiatives can be seen across the country, attempting to improve energy efficiency in Glasgow or advance public transport in Manchester.

Smart cities require more than data-generating sensors to be of value, though. They require that data to be processed and made available to organisations and individuals who can then act on the insight drawn from this information.

# Barriers to digital transformation

To bring about digital transformation, public sector organisations will need to review their systems. They will need to integrate data sources, modernise legacy systems and automate business processes. To meet this challenge, 90% of respondents to KnowledgeKube's survey said the deployment of new applications is 'critical'.

Yet digital transformation and the development of new applications are not happening fast enough to meet the demands of all stakeholders.

A study by Oxford University and McKinsey found that the public sector was finding it far more difficult to innovate digitally

compared to the private sector. It revealed that IT projects were 20% more likely to run over schedule than projects in the private sector. Furthermore, projects were also six times more likely to experience a cost overrun.

When KnowledgeKube asked IT leaders what was holding them back when it came to digital innovation and application development, however, it found cost and timescales were only part of the problem. Among the other obstacles cited were a 'red-tape culture', 'old style leadership', 'lack of resources' and 'perceived risk'.

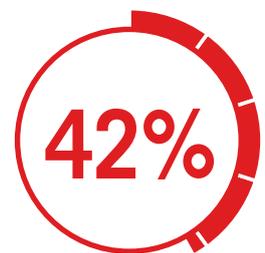
## Public sector barriers to innovation:



Lack of resources



Perceived risk



The scale of the challenge is too daunting



Cost of innovation is too much



Red tape & old style leadership



# 10 principles to support digital initiatives

The study's findings were shared with IT leaders across private and public sector organisations and feedback has been pooled into 10 principles for digital transformation. These topical themes provide a guide for organisations looking to breakdown barriers and make digital happen.

## 1 Allow for some risk

Digital transformation and the opening up of data is creating big challenges for both the public and private sector. Too often this change is viewed as a threat rather than an opportunity. At the same time, current ways of working provide a security blanket – as long as you follow the rules, you won't get fire. But disruptive innovation is about saying 'do it a different way'. This requires people who are prepared to put their head above the parapet.

## 2 Have a clear vision

The systems and processes currently in place to public sector organisations have been set up to support current ways of working. To break with the old, there needs to be a catalyst for change. This either requires a strong leader who can sell a story, or a common cultural aspiration within the organisation to provide a clear vision.

## 3 Deliver transformation in small chunks

Big IT projects are extremely time consuming and expensive to implement. They are fraught with risk, and can be out of date before they are ready. Take a look at the £6bn National Programme for IT the NHS axed in 2011, almost ten years after it was initiated. When projects are too big it's hard to predict cost and timescales with any certainty.

When projects are managed in smaller chunks, however, it's easier to predict outcomes and set expectations. For individuals operating within a target driven culture this piecemeal approach is much more manageable.

## 4 Retain the best of legacy

Rather than replace an entire system in one go, tackling transformation in smaller chunks also allows the best bits of legacy systems to be retained. This will let organisations maximise historic investments, and ensure adequate systems are not discarded at huge unnecessary expense.

## 5 Allow for cultural adjustment

When things change too quickly, it can be difficult for end users and staff to adapt immediately. An evolutionary approach can be less daunting and help stakeholders adjust over time.

# 10 principles to support digital initiatives

## 6 Be citizen focused

Digital transactions are allowing citizens to have a much bigger say on how services are delivered. Organisations don't need to second-guess what the end user is thinking as they can now receive real-time feedback on how services are being used. This contextualised data is providing a greater understanding of what is required from an application.

## 7 Prioritise productivity not vanity

When we look at Smart City projects, the focus is on achieving more or performing better with scarce resources. Digital innovation should not be seen as vanity projects that make things look nicer and shinier – they are fundamental for the health of the economy. These projects should concentrate on improving productivity so we can free up money and resources to invest elsewhere

## 8 Tackle the business problem

Providing a better, more efficient public service often involves staff working with different organisations. Social workers tasked with safeguarding children may spend more time working with other agencies, addressing things such as education and health issues, than they do their own.

As organisations drive efficiency within their own function, they can inadvertently develop silos and create technical barriers between agencies. If organisations are going to allow external collaboration they need to develop applications that focus on the business problem, not the organisation.

## 9 Embrace commercial partnerships

Standard public sector operating models do not provide an incentive to work with the private sector. Traditionally the public sector has either handled something internally or outsourced it completely. Projects go as far as the commercial barrier and then stop. Instead, the public sector should work closer with commercial partners and bring best practice methods of operating in from the private sector.

## 10 Protect the public purse

There is a natural concern that private sector partners will not be working in the public interest. But this has to be balanced against a need to make every pound stretch further. If public sector organisations embrace the 'as-a-service' model, for instance, they can acquire the technical support needed while only ever paying for what they use. If they no longer require this support, they can then switch this off without incurring any capital costs and protect the public purse.

# Conclusion

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The need to go digital is an inevitability sweeping across the public sector. There are many compelling reasons to pursue digital policies – and as the benefits of Smart City projects are realised this will become imperative.

It's clear that compared to private sector, it is much harder to drive digital innovation throughout public sector organisations. The KnowledgeKube survey has shown there are several issues blocking the path to progress, not least the cost and scale of the challenge.

It is essential that organisations find a way to overcome these barriers, however.

Breaking away from the status quo carries inherent uncertainty, yet there are several ways to manage the risks. We've highlighted ten key ways to encourage this transformation and minimise the risks involved. It is possible to improve the end user experience and increase productivity, while stretching taxpayers' money as far as it can go.

With the right approach, cost effective transformation can be delivered at speed, cost saving targets can be met and the country can benefit from the potential that digital innovation presents.

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