

Digital Transformation White Paper

This white paper presents the findings of research that Abavus recently conducted with the aim of understanding more about the current state of digital transformation in public sector organisations and, in particular, the challenges that local authorities face when trying to affect digital transformation.

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Digital Transformation

The findings are based on the responses of 109 local government staff with an interest in digital transformation. The overall seniority level of the respondents is very high, as Figure 1 below shows. The research was conducted during April 2017.

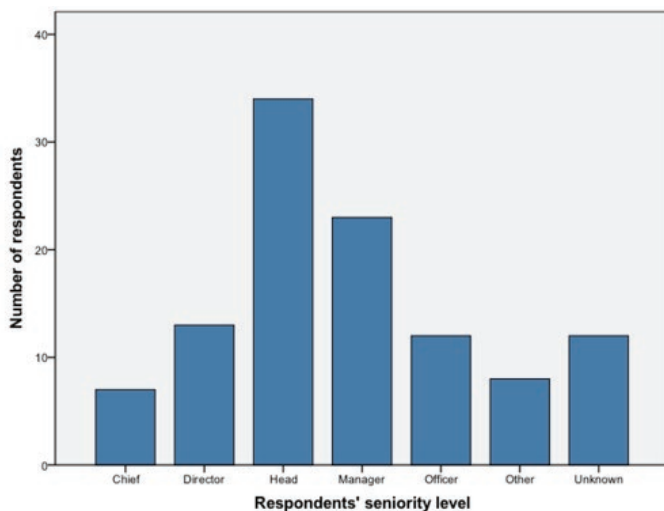


Figure 1 - Seniority level of respondents

Impact of budget cuts on channel shift

It is clear that public sector organisations now recognize the importance of channel shift and, for the most part, are dedicating resources to it. Just under 70% of our survey respondents work in an organisation that has a dedicated channel shift resource such as a team or senior person who is responsible for making channel shift happen. Additionally, 63% of respondents have a dedicated budget in their organisation with the specific goal of supporting channel shift and transformation.

However, channel shift budgets have not escaped the cuts that have affected local authorities across the board. More than half of our respondents agreed completely with the statement 'budget cuts have made channel shift essential in our organisation', with another 34% agreeing somewhat. Overall almost 90% of respondents agreed completely or somewhat with this statement, as can be seen in Figure 2 below.

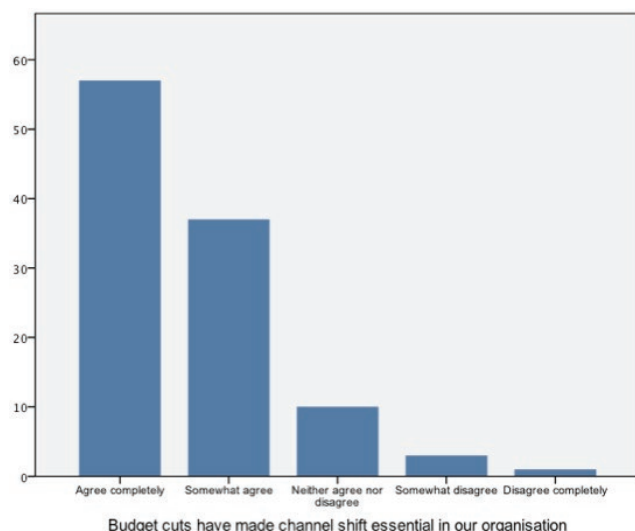


Figure 2 - Impact of budget cuts on channel shift

Lack of budget shows up as one of the most significant barriers to effectively achieving channel shift. Many respondents were keen to push forward channel shift but felt their efforts were limited by lack of the time needed to properly research the options and implement an effective strategy.

Budgets are always an issue with many respondents unsure whether a channel shift budget existed or stating that "There is not a specific channel shift budget but there is a change fund that we can tap into" or "Budgets are agreed on a case by case basis rather than being a pot which can be allocated as required."

That said, one respondent made a compelling case for not having a dedicated channel shift budget stating "Digital projects are generally funded from existing service budgets so that the business case is stronger and governance is clearer. We want services to be closely involved and investing in the work."

A significant number of respondents were concerned about the cost of transformational projects and cited lack of budget or lack of clarity regarding how limited financial resources should be distributed as issues limiting the effectiveness of their channel shift plans. Lack of budget combined with lack of relevant technical expertise can mean that managers struggle to make an effective business case for channel shift implementation. Tight budgets combined with lack of knowledge can lead to the problem of expectation management, as expressed by one respondent who identified a particular challenge with "managing stakeholders' expectations, as they expect savings immediately when a new piece of technology is implemented."

Lack of dedicated staff resource

Another challenge can be that channel shift responsibilities are allocated to existing staff who have to then manage their new channel shift responsibilities on top of their existing roles. One respondent writes "We have individuals who push our channel shift agenda along but have to fit that in with their other duties."

More positively a small but significant number of organisations state that they have dedicated channel shift teams with a clear remit for driving channel shift forward. One writes "We have a transformational board that oversees projects and dedicated project managers and communication officers assist with getting this up and running."



Customer demand for channel shift

Another significant driver of channel shift is customer demand. All but two of the 109 respondents to the survey agreed that their customers wanted to be able to access their services through a wider range of channels. Of those, over 67% strongly agreed with the statement, as can be seen in Figure 3 below.

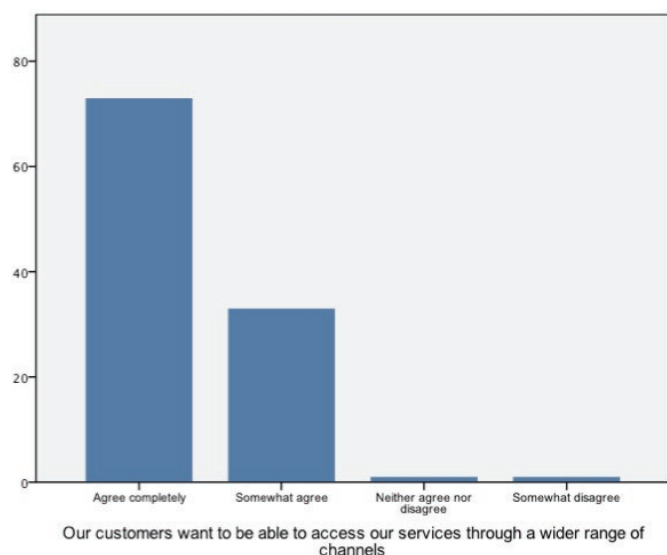


Figure 3 - Customer demand for channel shift

Interestingly, despite overwhelming agreement regarding the demand for channel shift from customers, our respondents were more equivocal when it came to their ability to communicate with wider groups of customers through channel shift. When faced with the statement 'channel shift enables us to access groups of customers that are hard to reach through traditional channels', just under 60% agreed somewhat with only 15% agreeing strongly. Whilst very few respondents disagreed completely, some 13% neither agreed nor disagreed, suggesting this question is much less clear cut than the previous issue of customer demand.

Many respondents were concerned that channel shift efforts met with resistance from citizens, often due to the particular demographic make up of their populations. Related to this some respondents felt that there was a lack of clarity regarding what customers wanted, or that internal staff's ideas about what customers wanted might not reflect the reality of what they actually want.

"internal expectations that customers want to retain a face to face contact [combined with] staff not familiar with technology and legacy issues meaning that new systems are not always compatible with old."

Sometimes staff resistance can translate into unwillingness to promote new channels effectively to customers.

"Staff buy-in is needed in order to give confidence to users; instead the supposed 'awkwardness' of new channels is used as a scapegoat."

Clearly there is an issue with how best to make customers aware of new channels that are available to them. As Figure 4 shows, well over half of respondents agree that making customers aware of new channels and encouraging their use can sometimes be a problem.

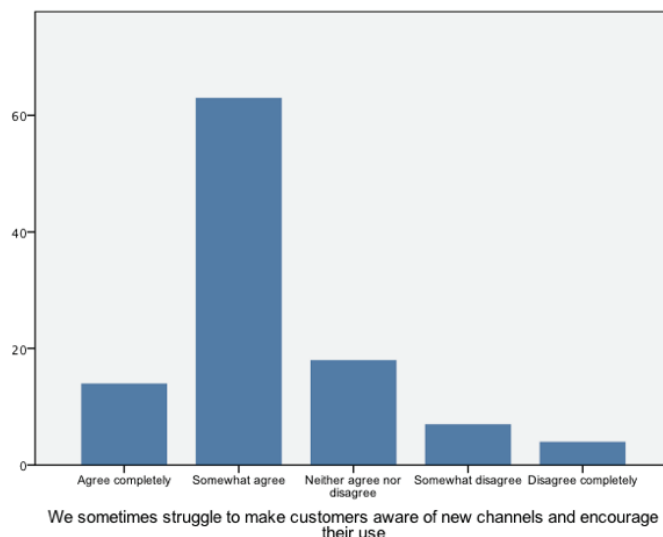


Figure 4 - Making customers aware of new channels

Staff resistance to channel shift

Staff can be reluctant to change established ways of working. Without staff buy in a channel shift strategy can struggle to get momentum with either staff or customers. Staff who are unsure about new channels will not then promote those channels to customers, as summed up in this comment: "We face two issues: the reluctance from staff to change their ways of working; and reluctance to encourage customers to change their habits."

Almost three quarters of respondents agreed that staff resistance to new ways of working can be a barrier to channel shift (see Figure 5). Only around 12% of respondents disagree that this is an issue.

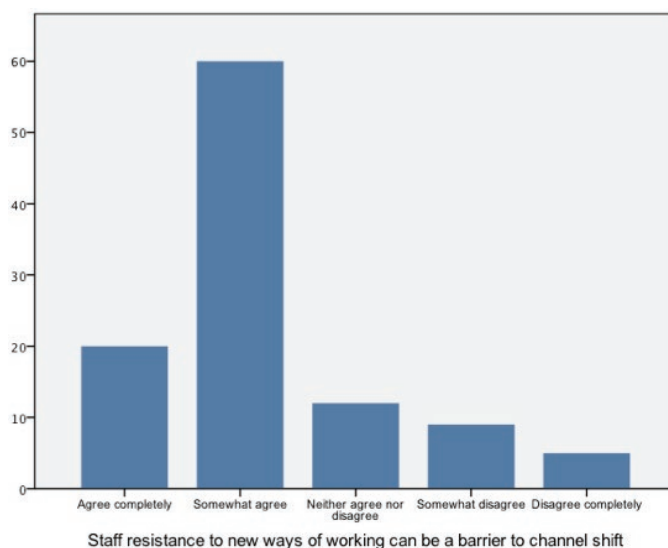


Figure 5 - Staff resistance to channel shift

Likewise, there's much agreement with the statement 'it is sometimes difficult to persuade internal stakeholders of the value of new self-service channels', as can be seen in Figure 6. 65% of respondents somewhat agree with this statement and another 11% strongly agree. Only one respondent disagreed completely.

Part of this challenge arises because it can be difficult to demonstrate clear return on investment and that channel shift projects may not realize the benefits that are promised or at least that it may be difficult to clearly measure and track these benefits.

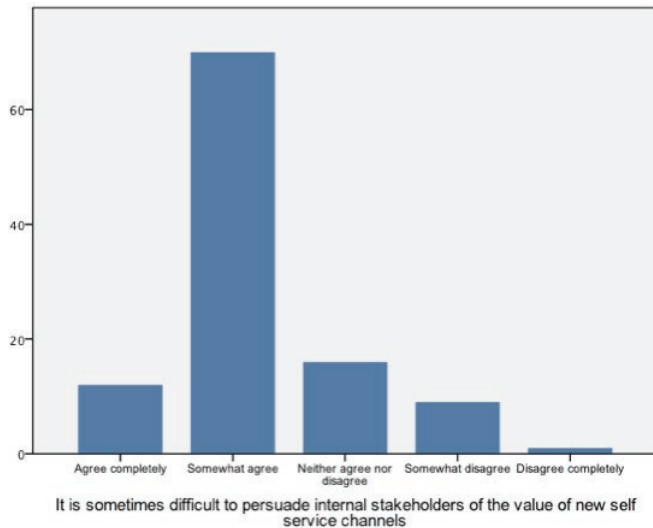


Figure 6 - Persuading internal stakeholders

Skills gap in channel shift

Related to the issue of internal cultural resistance to channel shift are the twin issues of the inability to manage change effectively and the lack of appropriate skills to do so. Lack of internal skills are a recurring issue, in particular skills in two key areas – technical expertise and project management.

"Internal bureaucracy, capacity / knowledge / skills of ICT, the inability to quickly test, analyse and make decisions on new technology's usefulness."

Internal staff resistance is perceived as being motivated by several different factors ranging from lack of relevant skills and understanding of the technology involved through to "cultural resistance of managers and staff due to self-protection and concern over their job roles."

"There is often a lack of the necessary technical understanding to know what the options are and to make an effective business case for their implementation."

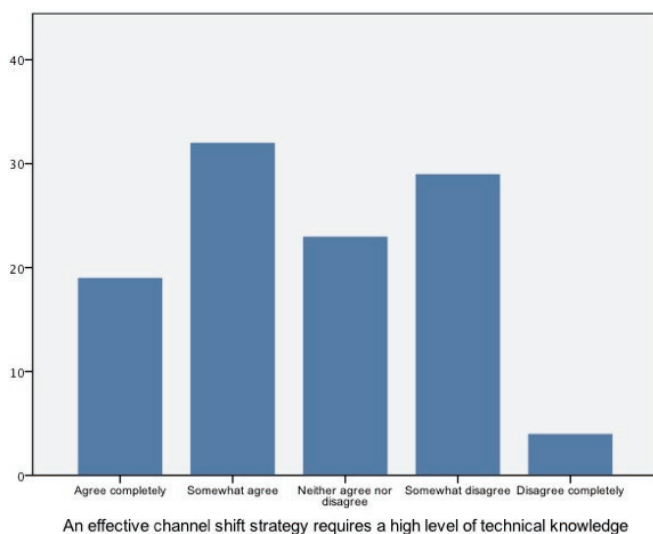


Figure 7 - Need for technical knowledge

There's also a perception that "the key decision makers (council members) are generationally apart from the day to day use of technology and so do not easily grasp its potential." Similarly,

there can be resistance to change processes that are perceived to have 'always worked like that'.

"Resistance to change from some quarters is always an issue. Keeping up with current trends in technology can be interesting but is time consuming – we talk about it loads but we don't actually get around to doing much."

Our survey provides further evidence that lack of technical skills is a concern for many organisations, with just under half of the respondents agreeing that an effective channel shift strategy requires a high level of technical knowledge (see Figure 7). That said, a significant number of respondents (over 20% of the total) neither agree nor disagree with this statement whilst just under 30% disagree, so the picture is more mixed than first analysis might suggest.

The impact of internal organisational culture on channel shift

The nature of local government IT Infrastructure is that councils tend to have complex legacy systems in a siloed environment. Each department runs its own systems and there is often limited if any coordination or integration between departments. Thus a barrier to effective channel shift can be, in the words of one respondent, *"complex legacy systems and an integrations cost culture"*.

Councils are often heavily dependent on the existing suppliers of their legacy systems. One respondent mentioned the *"monopoly effect of our current back office supplier [who] will only develop at their speed rather than at ours."* Proprietary vertical systems can make integration difficult and different teams have different concerns and priorities.

This siloed approach can mean that teams are reluctant to view channel shift with an organisation-wide perspective but rather each team focuses on its own solution, thus perpetuating the divided mentality.

"Internal teams have aspirations to design and build their own platforms rather than focusing on service delivery for customers."

One respondent expressed concern regarding the difficulty of "getting ICT to recognize that the user experience is more important than the technical specification, as without a solution being used the technology itself, however good it may be, is useless." Another respondent identified an issue with the perception that channel shift is purely the responsibility of the IT department, saying "channel shift is not purely the ICT department's work to do – it's relevant to every service area."

Whilst internal resistance and lack of enthusiasm amongst staff are clearly perceived as a barrier to channel shift, overall the attitudes of the survey respondents themselves seem positive. For example, almost 75% agree that their organisation is always on the lookout for new technologies that can help them achieve channel shift. As Figure 8 shows, no respondents strongly disagreed with this statement and only 7% somewhat disagreed.

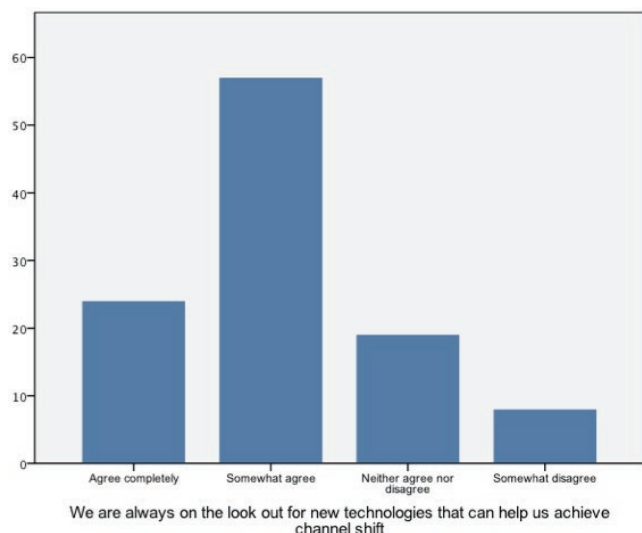


Figure 8 - On the lookout for new channel shift technologies

The importance of internal communication

Successful channel shift requires coordination between multiple teams within an organisation, so that can lead to challenges *“coordinating IT and procurement with wider council system integration, combined with general change management issues”* and *“getting everyone to agree on the channel shift strategy”*.

This issue can arise due to lack of clarity regarding who is responsible for driving channel shift or because several different teams share responsibility. One respondent writes that in their organisation *“responsibility for channel shift is divided between customer services, IT and the service departments but there’s no real coordination between them.”*

Channel shift offers administrative benefits

Channel shift also offers internal benefits within organisation. The push is not just to provide customers with a wider range of channels and to reach hard to access groups, but also to use channel shift to reduce administration and improve operational efficiency internally. Just under 85% of respondents agree somewhat or agree strongly with the statement that ‘channel shift helps us reduce our administration and makes our processes run more smoothly’ (see Figure 9 below).

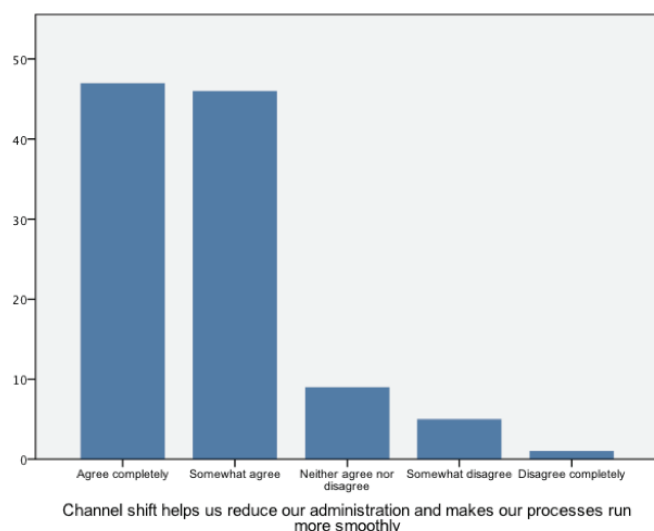


Figure 9 - Impact of channel shift on administration

The role played by suppliers in supporting channel shift

Another concern that can limit the push for channel shift within organisations is the perception that it can be difficult to source suppliers who understand the particular requirements of public sector organisations when it comes to channel shift. Half of the respondents to our survey agreed that it can be difficult to source reliable suppliers who understand the public sector environment (see Figure 10). Less than a quarter don’t perceive this to be an issue.

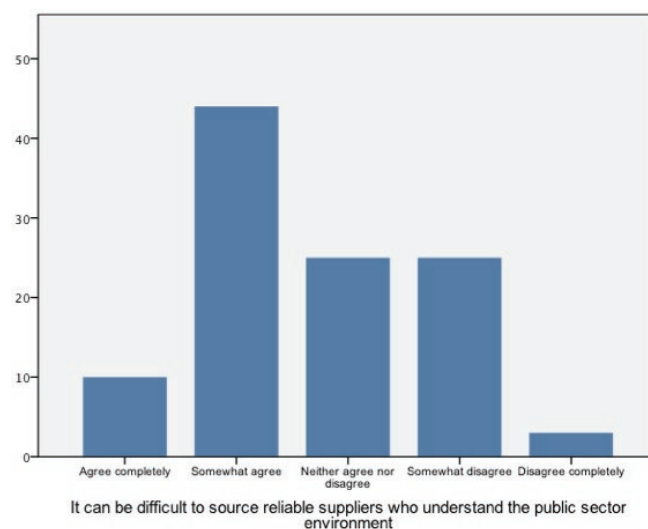


Figure 10 - Supplier understanding of the public sector

There is an opportunity here for suppliers to take the bull by the horns and work closely to understand the particular requirements of the public sector. One might assume that this perception that it’s hard to find suppliers who understand the public sector could translate into an unwillingness to work with anything other than a small network of niche suppliers that have already established their trustworthiness.

However, that doesn’t seem to be the case, or at least certainly not across the board. Just over 36% of respondents agree that they prefer to work with a small range of niche suppliers that they trust (see Figure 11 below). This opens up an opportunity, given that just under 20% disagree with this statement whilst over 40% neither agree nor disagree, suggesting that it’s not an issue that they feel particularly strongly about.

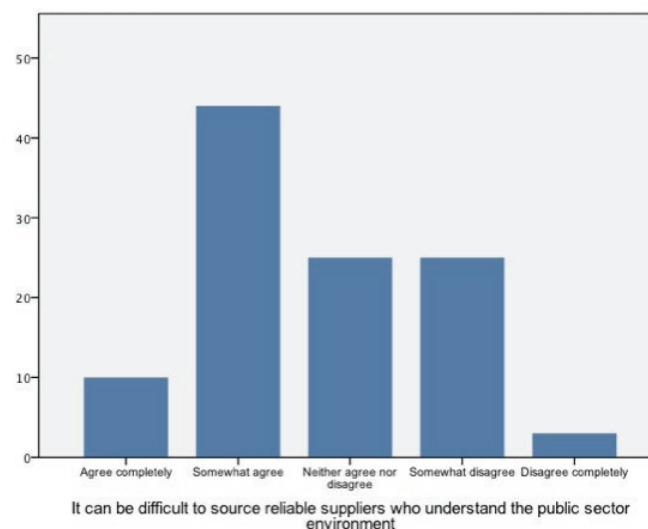


Figure 11 - Sourcing reliable suppliers

Cooperation with other organisations

There seems to be a high level of collaboration and cooperation in this space. 66% of organisations who responded to our survey are already working with other public sector agencies such as other local authorities or local NHS organisations to enable channel shift and transformation as part of a multi-agency approach.

Just under 70% of respondents agreed that their organisations shared their experience and best practice with other public sector agencies in order to improve their approach to channel shift and transformation. There's widespread recognition that successful channel shift requires collaboration with other local authorities, not only internal teams. One respondent writes that this requirement *"makes things more complicated to implement and manage but the way forward is to share data with our neighbours."*

However, this type of inter-organisational cooperation comes with its own challenges.

"It is difficult to get other local authorities to the same stage at the same time, which leads to delays in development or significant

upfront costs that need to be borne by us rather than funded by everyone that will ultimately use the product."

As always, wider coordination brings with it the risk of inertia, as one respondent says *"We do meet with other organisations and at a low level we work together – sharing legal costs with other councils and so on – but the large scale public bodies too often turn into talking shops."* Another similar challenge can be that organisations are reluctant to share what they are doing, as one respondent explains, *"we do attend these meetings and visit other councils, for example to see their reception areas and contact centres, but local government reorganization looms large in most discussions and Members are very protective of their patch."*

What's the future of channel shift technology?

We asked people to tell us which channel shift technologies they were currently using and which they might be thinking about using in the future.

Mobile working

- 74% currently using
- 24% interested in using
- 2% don't know
- 0% definitely wouldn't use

This finding supports what we've found anecdotally to be the case – the move in local government is strongly towards mobile working. In the early stages of channel shift and digitization the focus was strongly on customers, but now that the market is maturing organisations are realizing that digital transformation has just as many benefits to offer staff as it does customers. Embracing mobile working offers organisations the potential to benefit from huge efficiency gains and the cost savings associated with them.

Social media

- 82% currently using
- 14% interested in using
- 3% don't know
- 0% definitely wouldn't use

Social media is another example of a technology which has gone from skepticism to ubiquity in a relatively short amount of time. Virtually all organisations are now actively using social media, and it's clear that some local authorities are now extremely sophisticated users of the medium, exploiting its possibilities as a two way communication medium more effectively than many commercial organisations.

Cloud computing

- 53% currently using
- 34% interested in using
- 1% definitely wouldn't use
- 11% don't know

The move to cloud computing is also something we've observed over the last few years. When cloud computing first came onto the scene we found that many organisations were nervous of adopting it. Fears about security were common. It's interesting to see that more than half of organisations are now using it with a significant proportion of the other half interesting in exploring its potential further.

Live web chat

- 29% currently using
- 49% interested in using
- 9% definitely wouldn't use
- 12% don't know

Multichannel payments

- 47% currently using
- 39% interested in using
- 14% don't know

Voice activated search

- 11% currently using
- 56% interested in using
- 4% definitely wouldn't use
- 28% don't know

Live web chat and voice activated search certainly haven't reached social media levels of ubiquity or anything like but it's clear from the conversations we're having with customers as well as from the results of this research that interest in these technologies is growing fast. The key driver here is likely to be customer demand. Local authorities are increasingly adopting a multichannel communication approach because that's what customers expect to be offered. Once customer demand for live chat or voice search reaches a critical mass we'd expect to see the number of local authorities using them begin to grow very quickly. This is definitely a trend we can see in the responses to the question about multichannel payments – demand for this has been largely driven by consumers but works very much to the benefit of organisations as well.

Predictive analytics

- 11% currently using
- 62% interested in using
- 26% don't know

Big data analytics

- 7% currently using
- 62% interested in using
- 31% don't know

Machine learning

- 4% currently using
- 49% interested in using
- 3% definitely wouldn't use
- 43% don't know

It's interesting to see that a relatively small number of local government organisations are currently exploiting the possibilities of predictive analytics, big data and machine learning, but encouraging to see that such a large percentage are interested in using them. We firmly believe that these technologies offer many possibilities to local government. It is highly likely that the next wave of efficiency will be enabled through more intelligent use of data to optimize and tailor delivery of service and deployment of resources.

Conclusions and future outlook

The research study has identified a number of consistent themes and challenges that UK local authorities face in relation to their ongoing programs of transformation and channel shift.

The first theme is the effects of ongoing austerity and budget cuts on local government and the broader public sector. Local government is really at the frontline of austerity and the pressure of having to do more with less is a theme regularly repeated in responses to our survey. In many cases this pressure has been a catalyst for significant change. Indeed, over 86% of the sample respondents have stated that they completely or somewhat agree that this is the case.

We know that digital transformation, when done well, can lead to reduced costs and significantly increased operating efficiencies. However, there's a bit of a 'Catch 22' situation insofar as at the same time organisations are being pressured to cut costs and increase efficiency, they're also losing the budget and resources that they have specifically set aside to enable investment in digital transformation.

In short, budget cuts and reduction in other assets and resources mean that digital transformation is essential however as a result of the prevailing conditions of austerity, the resources (both financial and human) to enable transformation have been substantially reduced.

One of the other most significant themes to emerge was not directly related to technology but rather to what we might refer to as 'cultural challenges'. It's clear that many organisations are struggling to develop effective strategies for enabling internal stakeholders and staff to buy into, properly understand and support transformation programs, both at a strategic level and on a day-to-day basis. Related to this is the issue of encouraging customers to get to grips with the new access and self service options that are becoming available and having a plan for offering them the support they need during this process.

From a perspective of making transformation project actually work, there was one particular comment that struck a chord when analyzing the survey responses.

"Digital projects are generally funded from existing service budgets so that the business case is stronger and governance is clearer. We want services to be closely involved and investing in the work."

We're working now with over 50 UK local authorities, implementing transformational technology for channel shift and process automation, and based on our experience this comment perfectly captures the ideal approach to engagement and the compelling need to develop a business case that fulfils two key criteria:

- The business case needs to be credible and well thought out in order to convince the senior leadership team that investment in digital transformation makes sense
- The business case also needs to focus on ensuring that the staff in service delivery areas who will actually have to change their behaviour and working practices also believe in the project.

In conclusion, our experience has taught us that, for transformational technology to be truly successful and maximum return to be delivered two things are necessary: the organisation must have buy in from its service areas, and it must have meaningful sponsorship from senior leadership. Our own anecdotal experience is firmly backed up by the survey results too.

It is clear that it is the combination of functional technology and cultural shift that most effectively delivers the organisational transformation needed in order to meet the challenges that the current operating environment creates.

Don't expect the wave of transformation that has started, the innovative technologies that enable it and the forward thinking public sector professionals that invest and help implement it, to come to a rest any time soon.

About Abavus

Abavus is a partner to iTouch Vision and the exclusive certified partner for My Council Services. Over the last 5 years Abavus has been involved with the implementation and set up of IT platforms. iTouch Vision is a leading innovator in the development of technology applications focused on increasing efficiency and improving the customer experience for both public sector and commercial organisations. My Council Services is the flagship of its current development activity.

Abavus is also a partner to CrowdControlHQ. As the UK's leading social media risk management and compliance platform, CrowdControlHQ, is credited as being the first and only British tech business to enter the Forrester Social Media Risk Management Top 10, earmarked as a 'genuine worldwide contender'.



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