



DIGITAL TRANSFORMATION

White Paper

Digital Transformation Research Report

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This white paper presents the findings of Abavus Ltd about the current state of digital transformation in the public sector. We focused on the challenges local authorities face when proceeding with digital transformation. For further information about implementation and resourcing, please contact us.

Digital Transformation

Our research was conducted in April 2017, based on responses from 109 local government staff with an interest in digital transformation. The seniority level of respondents is very high, as Figure 1 show.

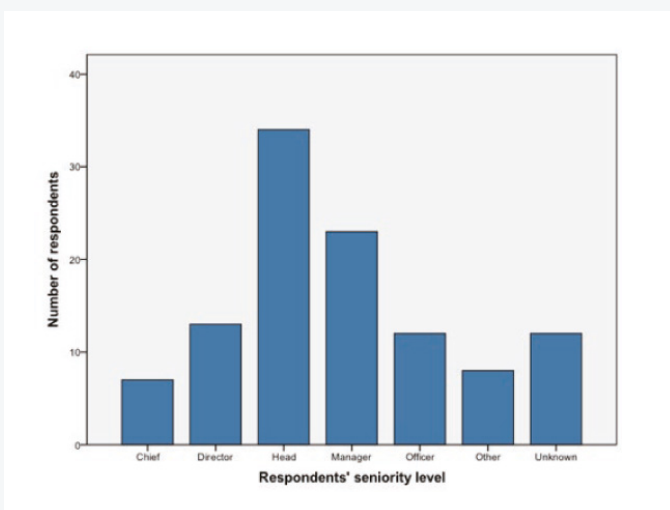


Figure 1 - Seniority level of respondents

Impact of budget cuts on channel shift

Public sector organisations recognise the importance of channel shift. A majority of our survey respondents work in an organisation with a dedicated channel shift resource. This resource could be a team or a senior person responsible for making channel shift happen, for example. 63% of respondents confirmed their organisation has a dedicated budget for supporting channel shift and transformation.

However, channel shift budgets have not escaped the cuts that have affected local authorities. Almost 90% of respondents agreed that *"Budget cuts have made channel shift essential in our organisation"* (see Figure 2).

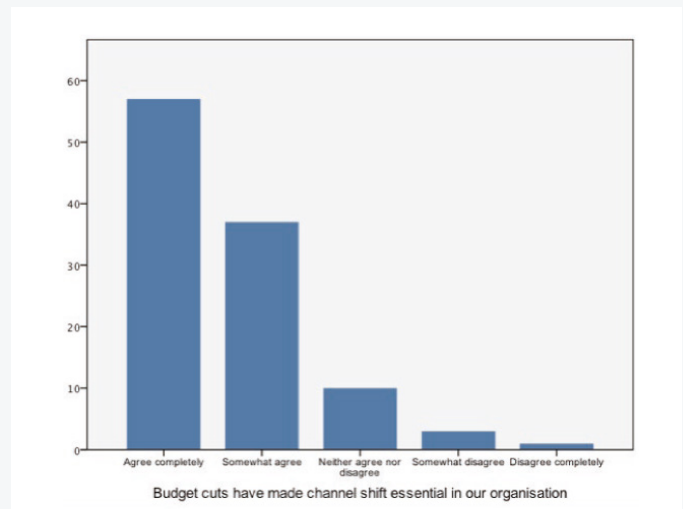


Figure 2 - Impact of budget cuts on channel shift

Lack of budget is one of the most significant barriers to achieving channel shift. Many respondents felt efforts to proceed with channel shift are limited by a lack of time needed to research options and create an effective strategy. Budgets are always an issue, with many respondents unsure whether a channel shift budget existed. The following sentiments were common:

"We do not have a specific channel shift budget, but there is a change fund we can use."

"We agree budgets on a case-by-case basis, rather than having a pot that can be allocated as required."

One respondent made a compelling case for not having a dedicated channel shift budget:

“Digital projects are generally funded by existing service budgets. This is to ensure the business case is stronger and the governance is clearer. We want services to be closely involved and invested in the work.”

A significant number of respondents showed concern about the cost of transformation projects. They cited issues such as lack of budget, or lack of clarity about how limited finances should be utilised. With a lack of budget and technical expertise, managers struggle to make an effective business case for channel shift. Tight budgets combined with lack of knowledge can also lead to the problem of expectation management. One respondent highlighted the challenge of *“managing stakeholder expectations, who expect immediate savings upon the introduction of new technology”*.

Lack of dedicated staff resource

Channel shift responsibilities are often allocated to existing staff, on top of their existing roles. One respondent wrote: *“We have individuals who push our channel shift agenda along, but have to fit that in with their other duties”*.

On a more positive note, a small but significant number of organisations have dedicated channel shift teams. One writes: *“We have a transformation board that oversees projects. Dedicated project managers and communication officers assist with getting this up and running”*.

Customer demand for channel shift

Customer demand is a significant driver of channel shift. An overwhelming number of respondents agreed that customers want to be able to access services through a wider range of channels. See Figure 3 below.

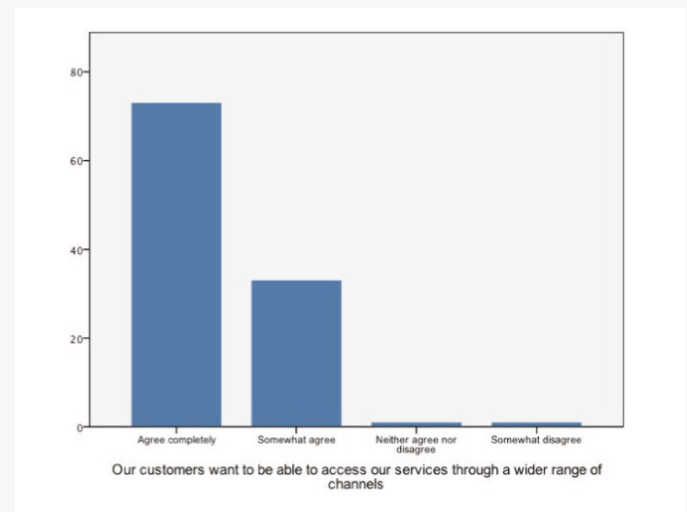


Figure 3 - Customer demand for channel shift

Respondents were less certain about communicating with a wider range of customers via channel shift. 13% of respondents could neither agree nor disagree with the following statement:

“Channel shift enables us to access groups of customers that are hard to reach through traditional channels.”

Many respondents shared concerns about customers being resistant to channel shift efforts. Some also felt there is a lack of understanding and clarity about the reality of what customers actually want:

“There are internal expectations that customers want to keep face-to-face contact. There are also concerns about staff not being familiar with technology, as well as old issues that may not be compatible with new systems.”

It is also more difficult to promote new channels to customers if staff are resistant to the changes.

“Staff buy-in is needed to give confidence to users. Instead, the supposed ‘awkwardness’ of new channels is used as a scapegoat.”

This is a clear issue, as Figure 4 shows. Over half of respondents agreed that making customers aware of new channels can be a problem, as well as encouraging customers to use them.

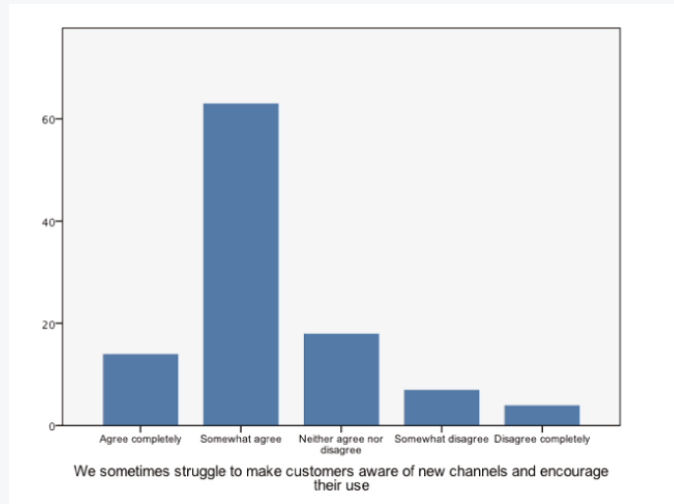


Figure 4 - Making customers aware of new channels

Staff resistance to channel shift

Staff can be reluctant to change established ways of working. Without staff buy-in, a channel shift strategy struggles to gain momentum. Staff who are not convinced about new channels will not promote those channels to customers:

“We face two issues. There is a reluctance from staff to change their ways of working, and a reluctance to encourage customers to change their habits.”

The majority of respondents agreed that staff resistance to new ways of working can be a barrier to channel shift (see Figure 5).

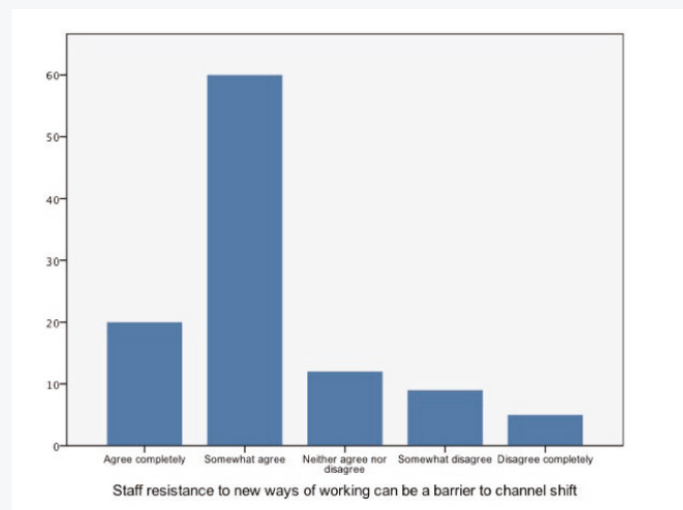


Figure 5 - Staff resistance to channel shift

Likewise, there is much agreement with the following statement, as can be seen in Figure 6:

“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 show a clear return on channel shift investment. There is also a risk that projects may not realise the expected benefits, or it may be difficult to measure and track these benefits.

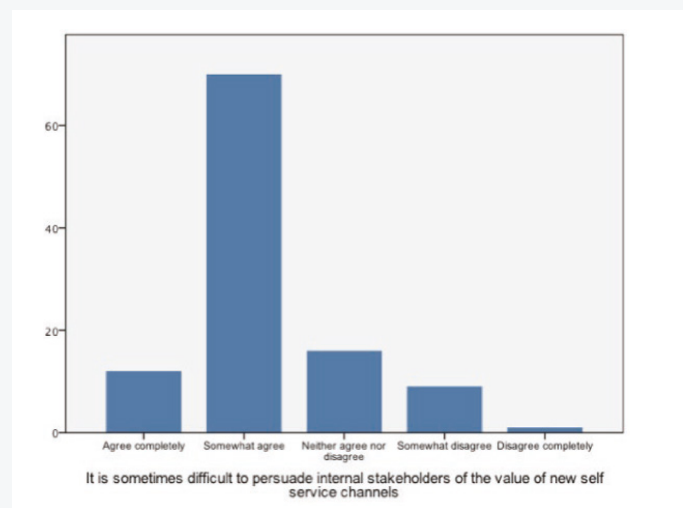


Figure 6 - Persuading internal stakeholders

Skills gap in channel shift

Internal cultural resistance to channel shift is fuelled by an inability to manage effectively, and a lack of appropriate skills to do so. Lack of internal skills are a common issue, especially in regards to technical expertise and project management:

“Bureaucracy; capacity, knowledge and skills of IT; the ability to quickly test, analyse, and make decisions on the usefulness of new technology.”

Staff resistance is fuelled by several factors. This can range from a lack of relevant skills, to a lack of technological understanding. It is also worth thinking about the *“cultural resistance of managers and staff due to self-protection and concern over their job roles. There is often a lack of technical understanding to know what the options are, and how to make an effective case for their implementation.”*

There is also a belief that *“key decision makers are detached from the day-to-day use of technology, and so do not easily understand the 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 technology trends can be interesting, but also time-consuming. We talk about it a lot, but we do not actually get around to doing much.”

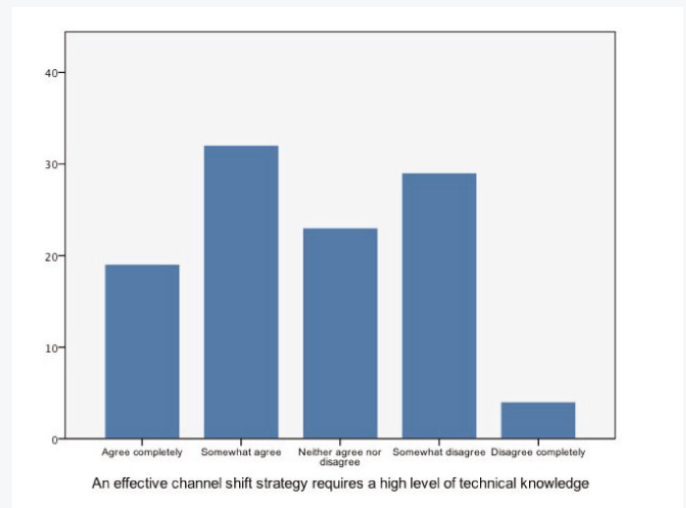


Figure 7 - Need for technical knowledge

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.



This copy is better - prefer numbers and it refers to the diagram

The impact of internal organisational culture on channel shift

Council IT infrastructure tends to involve complex legacy systems in a siloed environment. There is often limited co-ordination or integration between departments, who run their own systems. In the words of one respondent: *“Complex legacy systems and integration costs” can be a barrier to effective channel shift.*

Councils are often dependent on the existing suppliers of their legacy systems. One respondent mentioned a *“monopoly effect of our current back office supplier. They will only develop at their speed rather than at ours.”* These systems can make integration difficult, especially with different teams having different priorities.

This siloed approach can mean that teams are reluctant to view channel shift from an organisation perspective. Instead, each team focuses on its own solution, thus perpetuating a divided mentality. *“Internal teams aspire to design and build their own platforms, rather than focusing on service delivery for customers.”*

One respondent highlighted the difficulty of *“getting ICT to recognise that user experience is more important than technical specifications. If the solution is not being used, the technology itself is useless, no matter how good it may be.”*

Another respondent highlighted a perception that channel shift is the IT department's responsibility. *“Channel shift is not purely the ICT department's work to do. It's relevant to every service area.”*

Internal resistance and lack of enthusiasm are perceived as barriers to channel shift. However, the majority attitude of survey respondents was positive. Almost 75% agreed that their organisation is always looking out for new technology to help achieve channel shift. As Figure 8 shows, no respondent strongly disagreed with this statement.

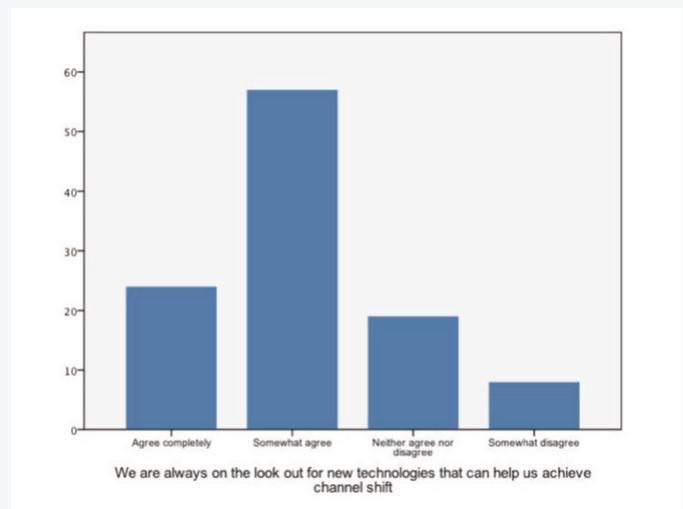


Figure 8 – On the lookout for new channel shift technologies

The importance of internal communication

Successful channel shift requires co-ordination between teams within an organisation. This can lead to challenges *“co-ordinating IT and procurement with wider system integration.”* They also have to consider *“general change management issues”* and *“getting everyone to agree on the channel shift strategy.”*

This issue can arise due to lack of clarity about who is responsible for driving channel shift, or if several teams share responsibility. One respondent wrote the following. *“Responsibility for channel shift is divided between customer services, IT, and the service departments. But there's no real co-ordination between them.”*

Channel shift offers administrative benefits

Channel shift also offers internal benefits within organisations. The push is not just to reach hard-to-access groups, and provide customers with a wider range of channels. Channel shift is also used to reduce administration and improve internal operation efficiency. A large majority of respondents agreed with the following statement (see Figure 9 below):

“Channel shift helps us to reduce our administration, and makes our processes run more smoothly.”

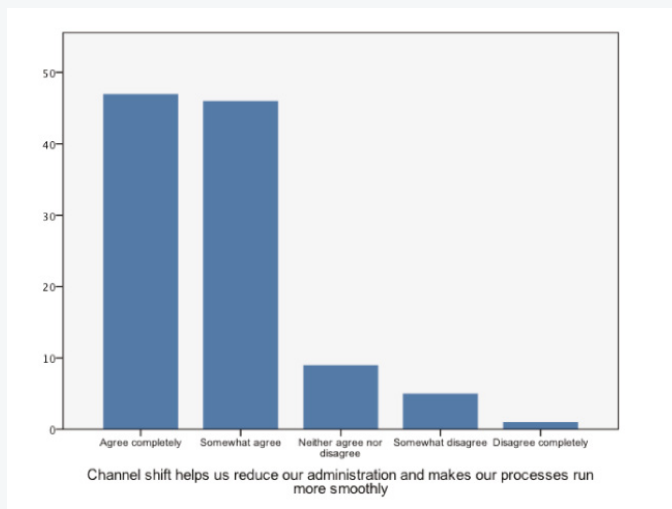


Figure 9 - Impact of channel shift on administration

The role played by suppliers in supporting channel shift

Another concern is the perception that it can be difficult to source suppliers who understand the requirements of local authorities when it comes to channel shift. Half of our respondents agreed that it can be difficult to source reliable suppliers who understand the public sector. Less than 25% do not perceive this to be an issue (see Figure 10).

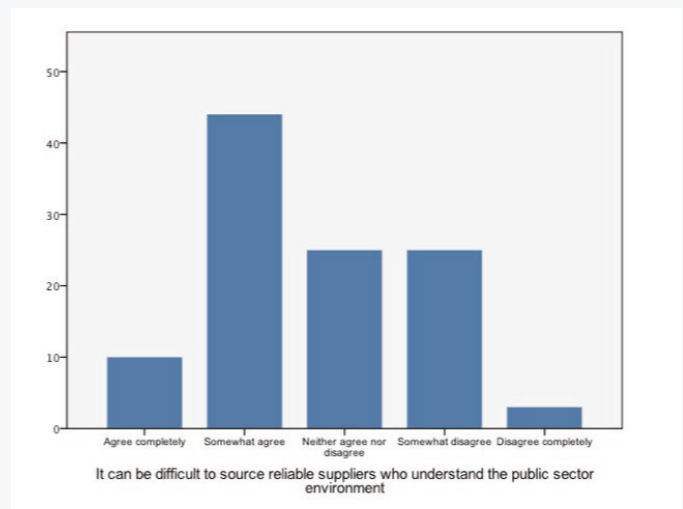


Figure 10 - Supplier understanding of the public sector

There is an opportunity here for suppliers to work closely with the public sector to understand their requirements. With this perception, one might assume that it is hard to find suppliers who understand the public sector. This could translate into an unwillingness to work with anyone outside of a small network of trusted niche suppliers.

That does not seem to be the case. Just over 36% of respondents agreed that they prefer to work with a small range of trusted niche suppliers (see Figure 11 below). The other 64% disagreed, or were undecided. This opens up an opportunity, as this suggests it is not an issue they feel strongly about.

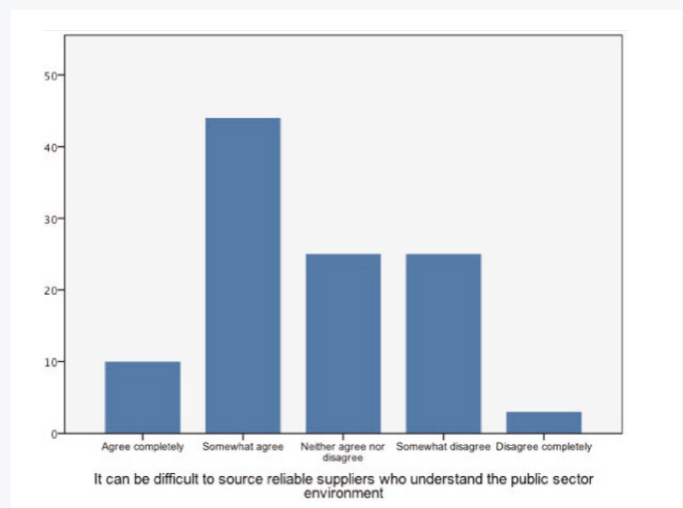


Figure 11 - Sourcing reliable suppliers

Cooperation with other organisations

There seems to be a high level of collaboration and co-operation in this space. 66% of respondents are working with other public sector agencies, enabling channel shift and transformation as part of a multi-agency approach. These agencies include other local authorities, or local NHS organisations.

Just under 70% of respondents agreed that their organisations share experience and best practice with other agencies, to improve their approach to channel shift and transformation. There is recognition that successful channel shift requires collaboration with other local authorities. One respondent writes that this *“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 co-operation comes with its own challenges. *“It is difficult to get other local authorities to the same stage at the same time. This leads to delays in development, or significant*

upfront costs that need to be paid by us, rather than funded by everyone that will use the product.”

As always, wider co-ordination brings the risk of inertia. One respondent says: *“We do meet with other organisations. At a low level we work together, sharing legal costs with other councils and so on. But the large-scale public bodies turn into talking shops too often.”*

Another similar challenge can be that organisations are reluctant to share what they are doing. One respondent explains: *“We attend meetings and visit other councils (e.g. to see reception areas and contact centres). But local government re-organisation looms in most discussions, and members are very protective of their patch.”*



What is the future of channel shift technology?

We asked respondents to tell us about channel shift technologies they are currently using, and what they might be thinking about using in the future.

Mobile working

- 74% currently using
- 24% interested in using
- 2% do not know
- 0% definitely would not use

This finding supports what we have found to be the case. Local government is moving strongly towards mobile working. In the early stages of channel shift and digitisation, the focus was on customers. Organisations are now realising that digital transformation also has benefits for staff. Mobile working gives organisations the potential to enjoy huge efficiency gains and cost savings.

Social media

- 82% currently using
- 14% interested in using
- 3% do not know
- 0% definitely would not use

Social media is another example of technology that has gone from scepticism to mass acceptance in a short amount of time. Almost all local authorities are using social media. Sophisticated users are utilising social media as a communication medium more effectively than many commercial organisations.

Cloud computing

- 53% currently using
- 34% interested in using
- 11% do not know
- 1% definitely would not use

The move to cloud computing is also something we have observed over the last few years. When cloud computing first emerged, we found that many organisations were nervous about adopting it. Fears about security are common. It is interesting to see that almost 90% of respondents are now using it, or are interested in exploring its potential.

Live web chat

- 29% currently using
- 49% interested in using
- 12% do not know
- 9% definitely would not use

Multichannel payments

- 47% currently using
- 39% interested in using
- 14% do not know
- 0% definitely would not use

Voice activated search

- 11% currently using
- 56% interested in using
- 28% do not know
- 4% definitely would not use

Live web chat and voice activated search have not reached social media levels of prevalence. Even so, it is clear from conversations with our customers and respondents that interest is growing fast. The key driver is likely to be customer demand. Local authorities adopt multichannel communication because that is what customers are expecting. Once customer demand for live chat or voice search reaches critical mass, we would expect to see their adoption increase very quickly. This is definitely a trend we can see in the responses to the question about multichannel payments. Demands for this has been largely driven by consumers, but works to the benefit of organisations as well.

Predictive analytics

- 11% currently using
- 62% interested in using
- 26% do not know
- 1% definitely would not use

Big data analytics

- 7% currently using
- 62% interested in using
- 31% do not know
- 0% definitely would not use

Machine learning

- 4% currently using
- 49% interested in using
- 43% do not know
- 3% definitely would not use

Currently, a small number of local authorities are exploring predictive analytics, big data, and machine learning. It is encouraging to see that such a large percentage displayed interest in using them. Abavus believes that these technologies offer many possibilities to local government. The next wave of efficiency will likely come from intelligent data usage to optimise and tailor service delivery and resource deployment.



Conclusions and future outlook

Our research has identified consistent themes and challenges faced by UK local authorities in regards to digital transformation and channel shift.

The first theme is the effects of austerity and budget cuts, where local government is at the frontline. The pressure of having to do more with less is repeated throughout our survey responses. This pressure has often been a catalyst for significant change. Over 86% of respondents stated they agree that this is the case.

We know that digital transformation leads to reduced costs and significant operational efficiency gains when done well. However, there is a bit of a 'Catch 22' situation. Organisations are being pressured to cut costs and increase efficiency, but they are also losing the budget and resources set aside to invest in digital transformation. Budget cuts and reduction in other resources means that digital transformation is essential. As a result of austerity, the resources to enable transformation have been substantially reduced.

'Cultural challenges' emerged as the other most significant theme. Many organisations are struggling to develop effective strategies that enable them to buy, understand, and support transformation programs. This struggle is occurring at both a strategic level and on a day-to-day basis. There is also the issue of encouraging customers to use new self-service options, and offering support during this process.

There was one comment that stood out when analysing the survey responses:

"Digital projects are generally funded by existing service budgets. This is to ensure the business case is stronger and governance is clearer. We want services to be closely involved and invested in the work."

Abavus are now working with over 50 UK local authorities. We are implementing transformational technology for channel shift and process automation. Based on our experience, the comment above perfectly captures the ideal approach to engagement. There is a compelling need to develop a business case that fulfils two key criteria:

- The business case needs to be credible and well-thought-out. This is to convince senior leadership that digital transformation investment makes sense.
- The business case also needs to focus on staff in service delivery areas. They will be the ones having to change their behaviour and working practices, so they need to believe in the project.

In conclusion, our experience has taught us that two things are necessary for transformational technology to be truly successful. The organisation must have buy-in from its service areas, and it must have meaningful sponsorship from senior leaders. Our own anecdotal experience is firmly back up by our survey results.

A combination of functional technology and cultural shift that delivers organisational transformation. This is what is needed to meet challenges the current operating environment creates.

Forward-thinking public sector professionals are investing and implementing innovative technologies. Do not expect this wave of digital transformation to come to a rest any time soon.

DIGITAL TRANSFORMATION

About Abavus Ltd and My Council Services

Abavus is a long-term partner of iTouchVision, and the exclusive certified partner for its flagship My Council Services solution. Since 2007, Abavus has implemented IT platforms for over 50 public sector organisations in the UK.

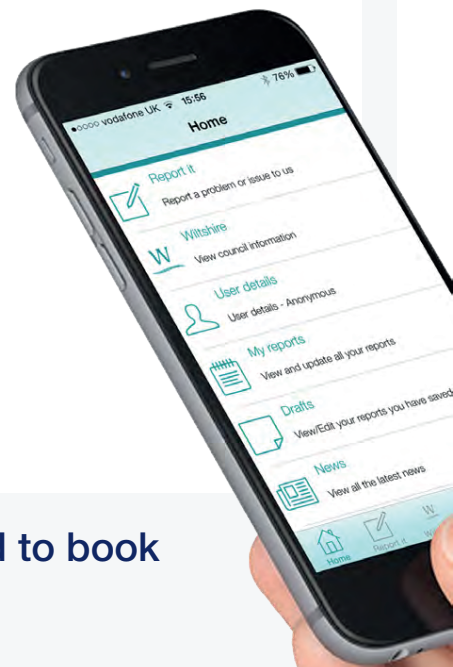
Abavus emerged out of the financial crash of 2007, and the unyielding constraint on funding this has created. These conditions have kept our projects focused on value and delivery. Our responsive, customer-focused approach has enabled us to thrive in a busy marketplace. We are now a leading provider of innovative and cost-effective IT solutions, providing cashable savings for organisations through significant operational efficiency gains.

Consultancy and training

Abavus also provides consulting and training services. This is to ensure that our clients are up and running with our technology solutions as quickly as possible. We draw upon our extensive knowledge and understanding of public sector organisations to drive digital transformation for business.



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