



CIVICA

Transforming the way you work

The Changing Landscape for the Public Sector

The challenges of building digital bridges

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Introduction

Welcome to the fourth edition of Civica's Changing Landscape research series developed in collaboration with the Institute for Public Policy & Governance (UTS:IPPG) at the University of Technology Sydney.

Over the years, the Changing Landscape series has clearly established that digital is inevitable for the future of public sector organisations in Australia and New Zealand. As a result, organisations have to cultivate technological mindsets to survive in today's dynamic environments. The latest edition of the Changing Landscape series emphasises that this is possible via radical shifts in organisational culture, thereby dubbing it a more organisational change than a digital change.

The Changing Landscape series has been tracking the state of digital transformation in Australia and New Zealand's public sector for more than three years. To date, the series has outlined the factors that have impacted public sector organisations across Australia and New Zealand. It has offered insights into how these institutions have tackled change at local, state and federal levels to meet the changing needs and growing demands of its communities. The series has delved into the engagement approaches adopted by local authorities, such as involving communities in design and delivery of services, and has offered insights into their digital needs in terms of vendors, or flexible IT systems that offer capabilities such as third-party integration to achieve best practice digital outcomes, workforce and citizen mobility, web-enablement, and automation to drive digital change.

This latest report goes a step further and examines the role of leadership in building digital bridges that connect community outcomes and public sector authorities. It examines the current state of digital leadership in public sector organisations, analysing the barriers and challenges of leading in the digital-first economy. The report evaluates the response of public enterprises and their leadership teams to change and their ability to drive digital transformation in their organisations.

Letter from Civica



The landscape for public sector organisations globally has changed drastically. Rapid advances in technology, a decade long global financial upheaval, a dynamic and an evolving political and regulatory environment are adding pressures on public sector organisations as they service an increasingly demanding customer. They are now looking at ways to innovate and adapt to remain relevant.

This coupled with shrinking budgets is forcing organisations to choose between developing physical or digital infrastructure. Possibly one of the key choices faced by leaderships in these organisations, as borne out by the report findings, is the harsh reality of having to decide between building physical bridges or digital bridges.

The challenging current state of public sector has now brought the leadership teams of organisations from this sector under the scanner. How do these teams navigate through digital realities is something that everyone is keenly observing.

We were keen to understand the role of leadership in today's digital first economy. To do this, we commissioned our research partner, the Institute for Public Policy & Governance (UTS:IPPG) at the University of Technology Sydney, to undertake ground-breaking research and analysis so we can understand the role of public sector leadership in driving digital change. I would like to thank all involved for their work and the valuable insights this research has provided.

I trust you find this report insightful and that you can use some of the findings to assist in your current and future projects. And remember, Civica is always here to help!

Richard Fiddis
Managing Director, Civica International

About Changing Landscape™:

Challenges of building digital bridges

The research investigates if and how public sector leaders are responding to and driving digital transformation. This project builds on previous research, The Changing Landscape for Local Government: A vision for 2025 and specifically seeks to understand:

- ▶ Perspectives on digital cultures within public sector organisations
- ▶ Challenges of digital transformation and change
- ▶ Digital platforms and client facing changes and innovations
- ▶ Opinions of the changing digital landscape

The project involved a review of selected literature informing digital leadership in public and private organisations. This review explored the risks and opportunities that are emerging, and what organisations might look like in their transformation to a digital-first environment.

Over 200 public sector professionals were surveyed by UTS:IPPG to understand how digital transformative change affected them and their organisation. These professionals represent IT teams, finance, corporate and governance teams at local government councils, state departments, infrastructural organisations and educational organisations from Australia and New Zealand.

In-depth interviews with key leaders were conducted by UTS:IPPG to gain further insights on the experience of driving digital transformation in organisations. These open-ended conversations provided thematic observations and perspectives on specific challenges and opportunities faced by governments adapting to digital change.

The research data from the survey and interviews revealed the following key themes:

1. The emergence of digital first organisations

A commentary about the traits or features that are common to digital first organisations. It includes perceptions on the driving forces of change and new ways of working in a digital society.

2. Digital cultures within public sector organisations

Highlighting the current organisational cultures in Australian and New Zealand-based public sector organisations.

3. Experiences with digital transformation and change

Experiences and opinions of public sector professionals in regard to their own organisations in the context of digital transformation and change.

4. Role of leadership

If and why leadership is critical to driving digital transformation projects

5. Challenges of leading in digital first environments

Challenges faced by leaders in driving transformational change of public sector service delivery.

6. Changing digital landscape

Views of public sector professionals about their definition of changing digital landscape.

7. Future of digital first public sector

Technologies that are critical for public sector organisations to offer a minimum standard level of service delivery. Technologies that are popular within their residents and the community.

8. Conclusion

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Emergence of digital first organisations

Public sector organisations across Australia and New Zealand are undertaking digital transformation projects at local, state and federal levels. They are driven by a need to “**do more with less,**” and by the political and regulatory climate in the country. An increased burden placed on governmental organisations and regulated markets has resulted in a greater appetite to deliver shared services with each other and suitable partner organisations.

Additionally, factors such as rapid technological changes, cost considerations and changes in citizen behaviour and demographics¹ are changing the role of public sector organisations from being providers of sustainable infrastructure to being guardians of community resources and providing support to an aging population. It is also forcing them to adopt new ways of working. Public sector organisations are looking at new models including strategic partnerships, increasing the service area to achieve economies of scale and improving their internal teams to deliver services.

This has increased focus on digital transformation, existing digital cultures and the state of leadership in these organisations. The current digital culture and the state of leadership not only showcases the level of digital maturity (proposed in the first Changing Landscape report) but also offers a bird’s eye view of risks that organisations face in being laggards and possible outcomes of their digital initiatives.

“The world is rapidly changing with challenges to funding and delivery of services. We need to think differently”

¹The changing landscape for local government in Australia and New Zealand: Five characteristics of the future citizen

Digital cultures within public sector organisations

Digital culture signifies the relationship between humans and technology. It explains that the Internet and technology heavily influence our behaviour and thinking. It impacts the way we interact and communicate as human beings in our social settings. Experts state that digital culture is a product of pervasive technologies and unlimited access to information, which in itself is a result of disruptive technological innovation within our society.²

When applied to public sector organisations, the term digital culture refers to how these organisations are exploiting the advances in modern technology to enhance or change its residents' quality of living, and to accommodate a rapidly changing environment and unending human needs. Our lives have become faster than before and the future will be no different. Additionally, there is no slowdown in sight in terms of technological changes. As a result, public sector organisations have to improvise. They have to innovate to adapt and evolve as needed to survive. Organisations that are digitally mature and more future proof³ than others accept this reality and have already embarked on transformation journeys of their own.

These organisations find it important to keep pace with technological trends and investment. Many times, their appetite for new technology ideas comes from within their organisations. Strong leadership is a characteristic of such organisations. These leaders recognise that key transformation projects impact organisation structures and result in changes to current roles within the organisation. As a result, there is a focus on offering development opportunities to their own people to take on new roles.

The survey showed a general consensus among the respondents about the existence of a sound digital culture in their organisations. Almost all agreed that it was important for them to work with strong leadership and 97 percent were on pace with digital trends and investments. However, 18 percent of (or almost 1 in 5) respondents felt that they were still not given opportunities to learn new skills relevant to a digital-first environment.

² <https://digitalculturist.com/what-is-digital-culture-5cbe91bfad1b>

³ The changing landscape for local government in Australia and New Zealand: Maturity Model



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“Digital transformations will have long term impacts on certain roles but it’s about adding value to customer experience and expectation”.

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Experiences with digital transformation and change

The research reveals that 84 percent of the respondents view digital transformation and change as an opportunity, yet, 32 percent (or 1 in 3) believe that their organisations only talk about emerging digital technologies. A small section reveals that their organisations don't pay attention to emerging technologies.

“With ever evolving priorities, digital (services) can be pushed down the list”

Generally speaking, this may be because of limited funding or resourcing issues. But for some councils, it is their community preference. Their customers place a high value on physical services and human engagement. At the same time, some communities can seem ambivalent around the use of new technologies.

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One council probed this perceived ambivalence further by seeking to understand why communities were reluctant to embrace technology. This led to a very proactive approach in building awareness of digital technologies through educational forums and networks:

“We discovered that for some people in the community, technology is a big unknown... we now help people to get familiar with technology and devices (and) if we hadn't taken this step we wouldn't have had so much traction with people engaging with us in these new ways.”

Research responses recognised it is important for organisations to lead by example. For example, encouraging customers to uptake digital technologies requires demonstrated leadership in this regard. Customers will likely oppose filling out digital forms if staff are still processing information in paper form.

73 percent of the survey respondents state that their leadership has a clearly established strategy to become a digitally mature organisation. They are well-positioned to adapt to a digital-first environment. 68 percent reveal that collaboration with external parties is a way to meet their digital needs, while another 63 percent inform us that engagement with external consultancies is an option.

Despite the positive sentiment, 78 percent (over 3 in every 4) of respondents say that they have not been able to successfully implement some of the digital initiatives in their organisations. Our study reveals that factors such as culture, resources, and talent are often responsible for these failures. Organisations with a culture resistant to change or lacking in resources and access to talent struggle with driving transformation projects.

Another key reason that can lead to failure is an absence of a strong leadership backed by a sound digital strategy.

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“A number of senior leaders that don't push it, don't understand, and have no commitment to driving technology – leadership must want it”

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Role of leadership

The survey and interview responses have clarified the role of leadership in driving digital change. Strong leaders are digital enablers. They are agents of change who can steer an organisation and the community through massive technological revolutions. They are instrumental in building digital bridges that connect the public sector with the community, stakeholders and end users. However, they need to be backed by a sound strategy and clear communication, investment in technology and a positive organisational culture to drive change.

Of the survey respondents 91 percent believe that strong leadership is vital to transformational change. Another 96 percent add that this type of change needs a strong strategy and vision, while separately 93 percent cite the importance of strong communication. When leaders do not exhibit these qualities, integration of digital technology and innovation can be slow, or may not even happen at all.

Organisational leaders need to be champions of their vision. They need to be able to unify the organisation to plan and implement changes.

“(Leaders) need to paint a picture of what success looks like or is, a joint success story” and must “show legitimacy and lead other ways of thinking”

⁴Kiron, D., Kane, G.C., Palmer, D., Phillips, A.N. And Buckley, N., 2016. Aligning The Organization For Its Digital Future. MIT Sloan Management Review, 58(1)

Leadership does not necessarily mean mastering every digital and technological innovation implemented in an organisation. It stands more for ‘digital congruence,’ a strategy that aligns different cultures, people, tasks, and organisational structure to synchronise the confluence of differences into a synergistic vehicle to deliver change.⁴

Leadership has a strong impact on driving digital transformations. A strong leadership team that can communicate openly is as important as one with the ability to drive change. Such a team invests in its existing internal teams. It gives them opportunities to upskill and learn new skills or diversify. Such teams create a culture that breaks barriers caused by job insecurity and fear of obsolescence.

“Leadership conversations are critical, they must be clear and open and digital models need to be relevant to your community”

“Major changes are hard to do, and need a leader to shepherd their staff. They must be an all-rounder that knows how to handle a wide range of people”

Attributes of organisation's leadership to successfully implement digital transformation strategies



These results echo those published in the first edition of the Changing Landscape for Local Government report. In the study, respondents revealed strategic vision, flexibility of thinking and a move from administrator to ground-breaker as key qualities of a good leader.

Organisational leaders should take into account the organisation's culture when implementing large-scale digital change. Successful leaders create and nurture an organisational culture that can welcome and tolerate change. This helps them implement innovative digital services and new operating models that helps them continually evolve.

Successful leaders also nurture a culture of learning within the organisation. They create digital spaces (digital working environments) that generate new development opportunities for staff to diversify their skills.

Leading in digital first environments

Rapid changes in technology and governance and increased devolution of responsibilities pose major challenges to driving digital change. The emergence of big data, environmental instability, and fiscal difficulties mean that the public sector is under pressure to deliver on citizen demands for more complex public services with fewer resources.

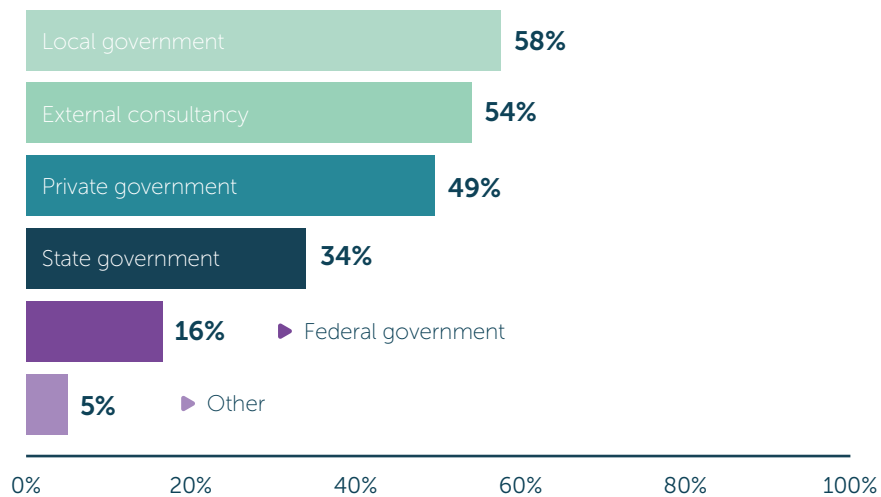
Technological advances continually open up new possibilities in building efficiencies, delivering services and storing data. A digital-first organisation embraces and understands this rapid evolution and actively seeks digital ways of working in the first instance – a shift that is regarded as difficult for many people to embrace. In this way digital-first is as much about the organisation and people as it is about the technology.

Amalgamations and mergers too have presented challenges to councils and other public sector organisations. Of the 29 respondents working with amalgamations, 59% (or 17) indicate that this affected their implementation or delivery of digital transformation processes. This is because many organisations operate different system environments. So integrating these is challenging and needs to be addressed before the consideration of a digital transforming strategy.

Even though amalgamations can offer access to bigger budgets, they also present a much larger amount of data and systems to merge. The direction of change too shifts many times because of new and competing priorities.

Recent times have seen a few local government organisations taking a step back from this strategy. With amalgamations off the agenda for the near future or at least needing to be considered in a different light, public sector and regulated markets organisations are looking at other options and strategies to deliver transformational change. Collaborations and partnerships with private organisations are a popular way of leading that change. According to the survey, partnering with other public sector organisations is the way forward for 58 percent of respondents. Engaging external consultancy firms (54%) or other private organisations (49%) takes the second and third positions. Interestingly the desire to collaborate with State and Federal level Government counterparts drops off significantly from the three favoured approaches, despite recent efforts of these two levels of Government to influence change at the Local level and with regulated industries.

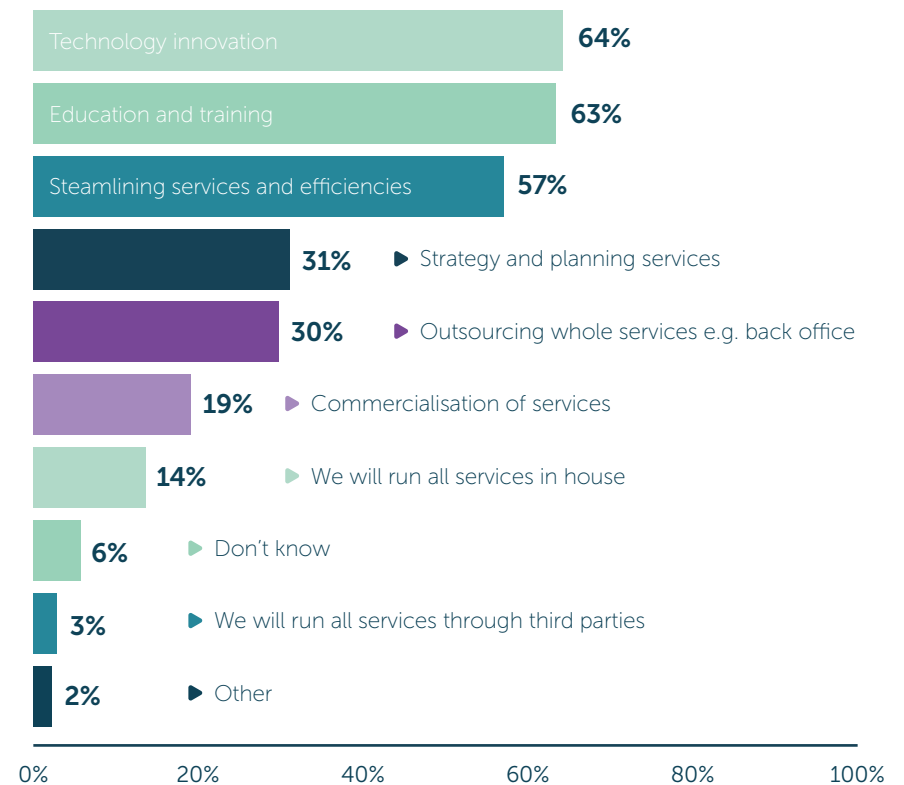
Potential partners to deliver technological change



Forming partnerships and collaborating with other organisations with similar requirements allows for scope to develop better solutions.

“(We adopt) a collaborative approach with surrounding councils who face the same changes to share approaches and ideas to utilising digital technology”

Services best delivered under shared-service arrangements



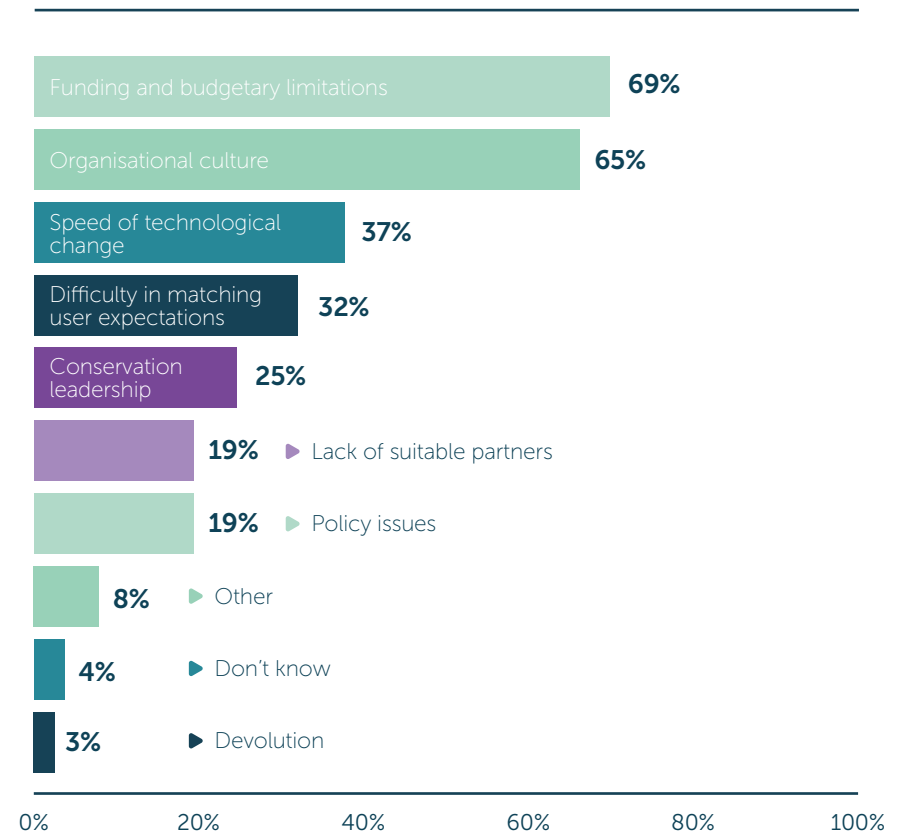
Challenges to leading in a digital first economy

However collaboration strategies and a myriad of structural, financial, political, regulatory, professional, and legitimacy factors can impact the outcomes of digital transformation. An earlier research project⁵ by Hudson and colleagues lists a number of barriers to change as:

- ▶ Structural (e.g. fragmentation of service responsibilities across inter-agency boundaries);
- ▶ Financial (e.g. differences in funding);
- ▶ Procedural (e.g. differences in planning horizons);
- ▶ Professional (e.g. in ideology and values); and
- ▶ Status and legitimacy (e.g. concern for threats to autonomy and domain).

In the context of Australia and New Zealand, the survey reveals limited working budgets (69 percent) as a top barrier or a challenge to leading change. The most significant response from our interviews indicates that local government organisations face the challenge of balancing a reduced fiscal envelope to run their business-as-usual duties while also attempting to generate innovative outcomes responding to both their community and industry best practice. As a result, the leadership has to choose between priorities. It really is a question of building (or repairing) a physical bridge or a digital one.

The second top barrier to leading in a digital first economy is organisational culture. This coupled with inability or resistance towards change posed roadblocks slowing down transformative change. Internal processes and existence of organisational siloes too receive a high number of votes for holding up transformative change.



⁵Hudson, B., Hardy, B., Henwood, M. and Wistow, G., 1999. In Pursuit of Inter-Agency Collaboration in The Public Sector: What is The Contribution of Theory and Research?. Public Management an International Journal of Research and Theory, 1(2), pp.235-260.

Other factors such as speed of technological changes and conservative leadership are major constraints to digital transformative change.

Local councils with shared services delivery arrangements with other public sector organisations state that not all partnerships are successful. Even though they have a relatively easy access to information, difficulties emerge as projects move into the planning and implementation stages. Contrasting perspectives and organisations not sharing similar cultures, and existence of different digital/IT systems add to the complexities hindering the deployment of partnerships.

“Information sharing in local government is really good, but when it comes to exploring shared services the conversation changes.”

“Digital shared services don’t work. I’m yet to see one that provides any efficiencies as ICT environments are all different and CEO’s are all different.”

Lastly, respondents also viewed an IT system’s lack of ability to integrate with other products and an absence of infrastructure as challenges to leading change.

So what happens if a public sector organisation’s leadership fails to drive digital transformation? Such an organisation has much to lose if it fails amid the fast changing environment. Effects of failure include inability to retain people, impending obsolescence and damage to reputation.

- ▶ **Loss of staff:** Organisations that do not keep pace with digital change are less likely to attract high performing employees and even less likely to retain them. This happens when organisations are still in early-adoption phase on the road to digital maturity. These organisations are reactive and have basic technology in place and face high levels of down-time and failure.⁶ The results of a recent global survey titled *Aligning the Organization for Its Digital Future* suggest that 20 percent of employees in companies in this phase are planning to leave in less than one year. Compare this to digitally mature companies with less than 4 per cent of employees planning to leave.⁷
- ▶ **Personal obsolescence:** Employees from digitally mature firms believe that there are sufficient opportunities for progression and to develop digital acumen when compared to developing and early stage firms.
- ▶ **Higher costs of service delivery:** Delays in implementing digital services leads to reduced revenue or higher costs, and the misalignment of service delivery in relation to citizen perception. This leads to a reduced citizen satisfaction of government services. Organisations supporting face-to-face interactions paid a higher cost per transaction in contrast to online.
- ▶ **High social cost:** Public sector organisations pay a high social cost of failed transformations. First, it is a loss of reputations, emergence of a lack of trust placed by citizens on councils for example, inability of government agencies to provide services especially to those less able, and lower rates of satisfaction or poor perception of government services. Internally, the organisation ends up with dissatisfied employees, lack of access to resources and talent and staff turnover. It’s a downward spiral.

⁶The changing landscape for local government in Australia and New Zealand: Maturity Model

⁷Kiron, D., Kane, G.C., Palmer, D., Phillips, A.N. And Buckley, N., 2016. *Aligning The Organization For Its Digital Future*. MIT Sloan Management Review, 58(1)

A digital first public sector

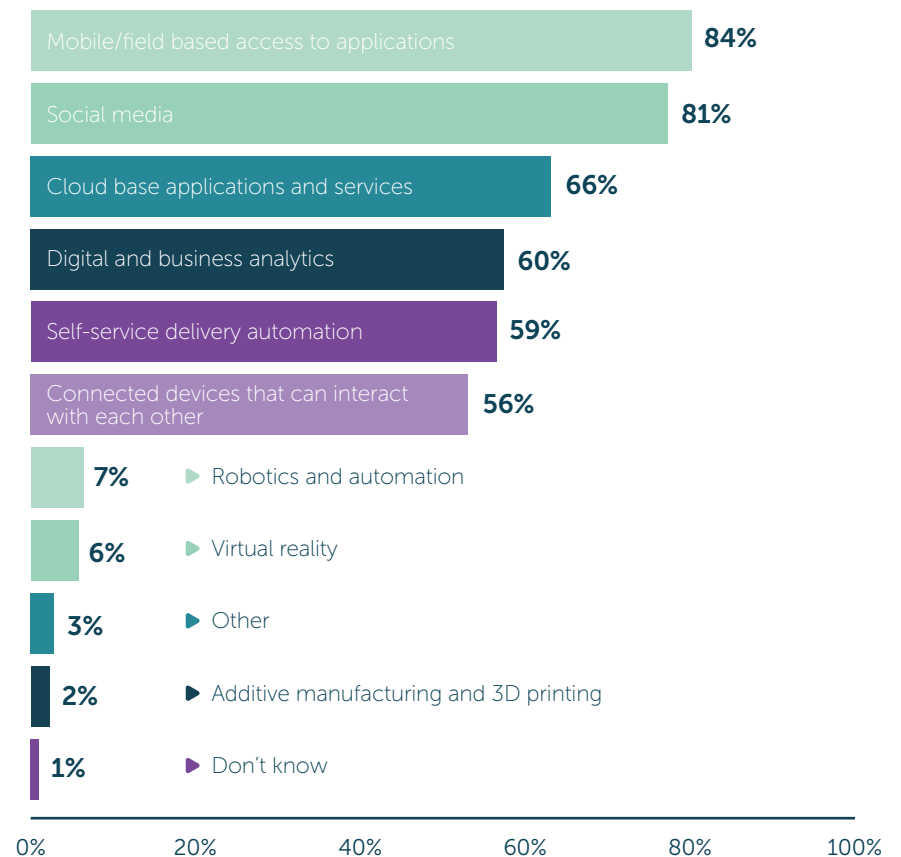
Organisations are looking at adopting innovative ways to drive transformational programmes. Rapid advances in technologies and innovation is driving them to integrate the latest thinking into their operations. Performance improvement, cost savings and efficiencies are an expected outcome as are improved service delivery, increased community engagement and satisfaction.

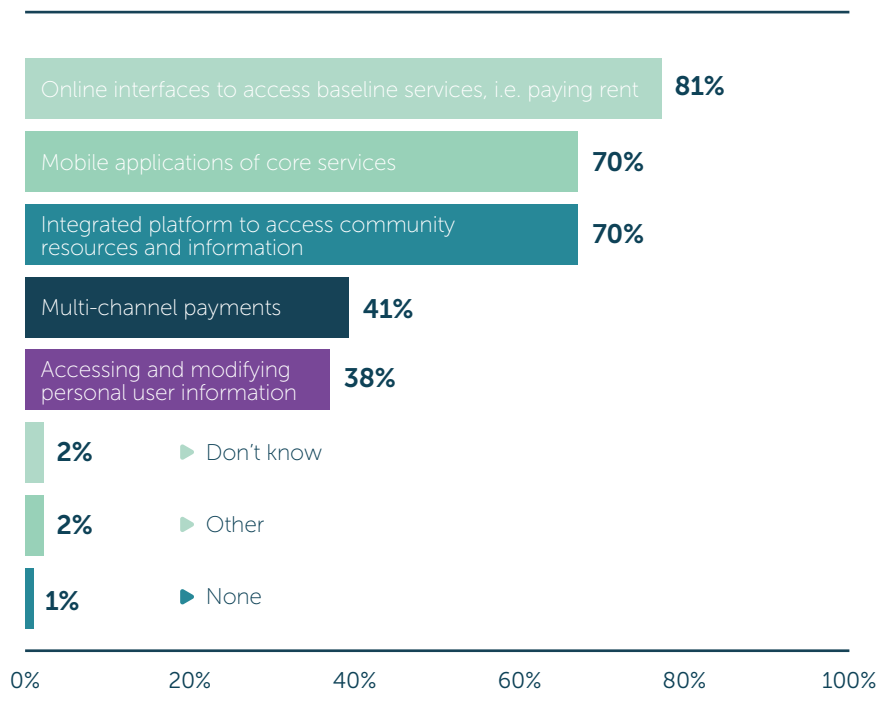
Public sector professionals look at technology as a tool that gives them greater insight on current operations and helps unify, integrate, and centralise service processes. As a result, some technologies are important to offer a minimum standard level of service delivery. Then there are technologies and social media platforms that find favour with their customer base (which is their community and the voters that these agencies and Departments interact with).

According to the survey, mobile and field based access to applications continues to be the most important technological innovation for organisations. 84 percent of respondents gave it top preference followed by social media and cloud based applications, which took the second and third spots. Digital and business analytics, self-service delivery automation, and inter-connected devices came in close, in terms of their significance to the respondents.

“We’ve worked hard to ensure that officers can do their job remotely and in the field. By making officers lives a bit easier, it is part of a good mobility strategy for the future.”

Forms of technology most important to your organisation





“Most residents have a mobile phone and can take a photo of a pothole and send to council with expectations of an immediate response. The urgency and hyperactivity that comes with that puts new levels of performance and response expectations on Local Government.”

When asked about which technologies or innovations were most requested by users, mobile applications of core services was among the top three responses. Online access to baseline services topped the list, and an integrated platform to access community resources filled in the top three.

It is clear that the future of government will be quite different from what it is today. Although the core services may not be completely different, there are a number of changes that our respondents envisage including different ways of assisting all levels of government in adapting to digital change.

Future of digital first public sector

Technology is here to stay and is the new normal for public sector organisations. This will not only disrupt the way they function, but will also lead to changes that may require retraining or changes to the organisation structure. The survey respondents for example believe that it will be important for councils to be more connected digitally to their communities in future.

The dynamic digital landscape for public sector organisations in Australia and New Zealand is described in creative and insightful ways by the respondents including:

"A brain. Perhaps a cellular like environment (organ) of connections between autonomous entities, capable of information storage and recovery, conscious and unconscious responses, processing, instruction and commanding..."

"A place where information is readily available and is instantly up to date as it changes, this can be coming directly from the field or from an office and no reliance on traditional paper-based processes. It will be a place where we can have interactions with ratepayers 24 hours a day 7 days a week and open up a broader set of communications and empower ratepayers to be more interactive with the council."

"A more user driven/self-service environment with 24/7 access, reduced human intervention at the service point and customer response being undertaken through back office support possibly remotely. We are seeing today anything is possible. How long is a piece of string?"

"Collaborative environment where services can be more effectively delivered, whether that service is delivered to the public or to other business units within council. Communication and Information sharing next - level in terms of effectiveness."



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“We may become a leaner organisation that drives innovation and engages with a community who are connected to the data and come up with solutions themselves... (this will be a) move away from being risk averse to future focus”.

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Conclusion

It is clear that digital is the new normal. When embracing this reality, organisations need to ascertain their priorities and take steps to bring about transformative change and that starts from within. This requires an existence of a digital culture and mindset across the organisation championed by strong leadership that can tackle the challenges of leading in a digital first environment.

Digital first leadership needs to be supported by strategic vision and investment in technology, open communication and a collaborative approach to digital transformation. It also requires leaders to make the tough calls on prioritising investment in digital infrastructure against physical infrastructure, or finding ways to justify and finance both.

The ability of every single leader not only depends on the individual but also on the stage of the organisation in terms of digital maturity. Ignoring the digital reality or implementing initiatives without a vision will result in strategic risks and losses. Leaders who display the necessary traits can lead their organisation from being an early adopter to becoming a mature and future proof organisation.



Start the conversation and get in touch with Civica

If you would like to know more about Civica or the The Changing Landscape for the Public Sector report, please speak to your Civica Account Manager or contact us.



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