

Research paper – Management Summary

Doing Digital for Impact: Study on Digital Transformation in the Public Sector

February 2023

Preface

Why do some countries do digital better than others? This was our starting point as we began initiating this study at the end of 2021. We are a consultancy whose business is shaping digital transformation in several European countries, and, in 2021, we were seeking a deeper understanding of the factors that help transformation initiatives succeed. After analyzing 357 surveys responses, 22 interviews, 8 internal review sessions, and 2 panel discussions, three topics stood out:

1. IT has become a part of politics.

Powerful technologies such as cloud, big data, and AI raise difficult questions for governments regarding their economy, sovereignty, and innovativeness. We see the alignment between politics and IT as a crucial factor for successful digital transformation.

2. A new type of business-minded leader drives digital transformation.

We discovered a new type of manager in key roles. These individuals often have a private sector background, develop cross-agency collaboration, and reach out to players outside the system to gain trust, expertise, and innovation. They are also more successful with their transformation initiatives.

3. Organizational complexity is a drag.

We only found weak correlations to explain the e-government rankings in our survey data. Though, there is an elephant in the room: On average, more centralized countries have a better e-gov ranking. (And of course, some authorities have doubts as to how valid the rankings are in the first place).

These three topics will return in the subsequent sections of this study. The study is directed at politicians as well as at managers working for public sector organizations.

We trust that this study will provide valuable insights and stimulate thoughtful discussions.

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“Governments of different creeds are struggling – and frequently failing – to meet the expectations of citizens, as evidenced by a lack of confidence in government institutions and events in recent political history. New thinking is needed to address changes in technology, media, and public expectations.”

The Hon Alexander Downer AC,
Executive Chair of the International School for Government, and former
Australian Foreign Minister and High Commissioner to the UK

This is a telling statement and one that demands addressing by governments who seek to keep the public optimistic and engaged, particularly in today's variable environments worldwide. Even more importantly, the journey to satisfying public expectations extends further to include the challenging task of creating and adding public value.

Our study points directly to this statement by The Hon Alexander Downer AC. It aims to address the necessary “New Thinking” by means of successful technology implementation, that then goes to the heart of increasing public value.

What is this “New Thinking” and how does it work?

Quite simply, in terms of this study, it is the intentional act of creating a thriving environment for the needed changes to take root and grow. It builds on the insight that digital transformations in the public sector need to happen at multiple levels, especially at the levels of system & policy and organization & ecosystem.

The good news is, that this study provides a practical guide for stakeholders and decision makers to follow at all government levels. Roles and responsibilities are presented along with a set of requirements and tasks, thereby ensuring the common goal of generating public value, and with it, meeting public expectations.

For digital transformation, the stakes are high. The public has increasingly high expectations and, at the same time, the failure of big IT projects is often front-page news and attracts public outcry. Fortunately, people generally remain optimistic.

How can the public sector leverage this optimism and build more confidence for the digital transformation?

Public value is a helpful concept for designing the outcomes of digital transformation in the public sector. It includes both social (such as inclusion, democracy, transparency, and participation) and economic value (e.g., GDP per capita). Thereby, it highlights the broader benefits that should be realized for society and, ultimately, the planet. Public value also points to building trust through collaboration.

Our survey shows that digital transformation is still mainly seen as improving an administration's efficiency and effectiveness. However, 88% of the survey respondents also believe, that in the future, initiatives should focus more broadly on creating public value.

"While the current pace of digital transformation in Government is unprecedented, it is still (arguably) failing to keep up with demand and the required pace of change. As a public sector CIO, I am continuously seeking to learn from other high-performing countries and adapting their areas of strength for application in my own country where possible. I therefore welcome this report, which not only benefits from extensive research, but offers really useful insights and templates to maximise the chances of successful digital interventions across public services in all our countries."



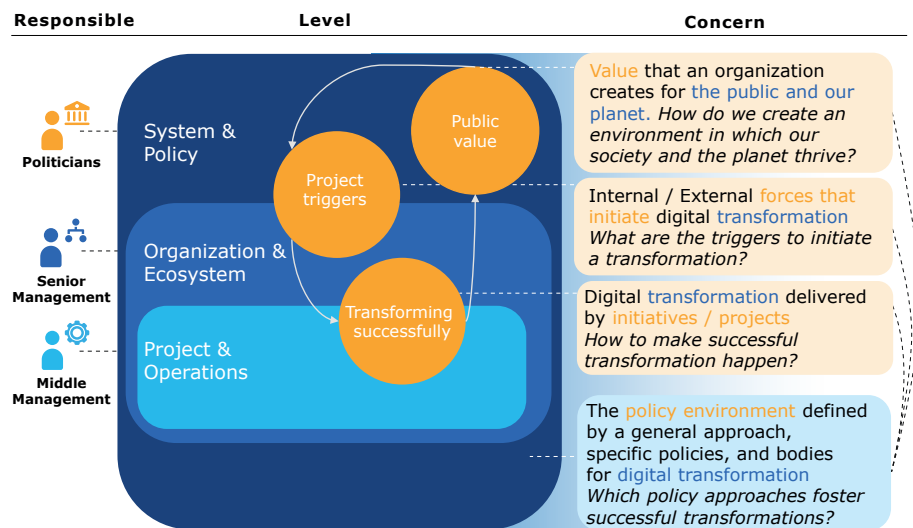
Barry Lowry
Government of Ireland CIO,
Department of Public Expenditure & Reform,
Dublin, Ireland.

Key Messages

- Governments frequently fail to meet the expectations of their citizens when it comes to digital. While politicians push ever more digital transformation initiatives, **government IT projects are plagued by budget overruns, delays, and failures.**
- The standard remedy for improving the delivery of IT projects, seen as the “workhorse” of the digital transformation, is to employ better planning and tighter controls. Although, the additional, requisite **rules and regulations tend to have the opposite effect, and essentially suffocate output** and discourage those persons responsible for the project.
- The more promising method for making real progress in transformations is for politicians and senior managers to **create favorable preconditions for digital success.** They can do this by redesigning the organizational ecosystem, reshaping the legal landscape, and by putting specific policies into place.
- This study provides a **simple framework that brings clarity to the steps that politicians and senior and middle management** can take to improve the success rate of digital transformation in the public sector. Project limitations can be avoided through strategic capability planning and by doing the necessary preparatory work well in advance.
- **IT has become an inextricable part of politics.** Powerful technologies such as cloud, big data, and AI, raise difficult questions for governments regarding their economy, sovereignty, and innovativeness. We see the **alignment between politics and IT as a crucial factor for successful digital transformation.**
- The **adoption of these powerful technologies is still challenging** due to unresolved privacy and sovereignty concerns at both the national and supra-national levels.
- A **new type of business-minded leader drives digital transformation.** We discovered a new type of manager in key roles. These individuals often have a private sector background, develop cross-agency collaboration, and reach out to players outside the system to gain trust, expertise, and innovation (the so-called “triple helix”). These leaders also prove more successful with their transformation initiatives. Therefore, **it may be time for more salespersons to become engaged in public administrations.**
- Organizational complexity is a drag. Our study points to an elephant in the room: **More centralized countries have a better e-gov ranking.** We recommend simplifying the digital operating models for public administrations by centralizing and creating **shared service centers.**

With this broader perspective in mind, it becomes clear that a narrow focus on optimizing IT project delivery is not enough to bring about public value. Successful organizations do not only master the art of IT project management, but also work both on the ecosystem of the organization and the surrounding system and legal framework. For example, a deputy secretary highlighted how they develop model contract clauses on privacy and security safeguards. This makes it easier for businesses to use cloud services across country borders. A CIO commented on their successful transition to work-from-home during the COVID-19 lockdown as the result of 10 years of hard work in streamlining the organizations and systems that had been inherited from different, previous organizations.

To this end, we have created a framework that structures the concerns at the level of system & policy, organization & ecosystem, and project & operations (Figure 1). These concerns correspond naturally to areas of responsibilities for politicians, senior management, and middle management, respectively. Our recommendations will specifically refer to these areas of responsibilities.



Critical points for digital transformation are typically at the boundary of two adjacent levels:

- First, how do we create an environment in which our society and, ultimately, the planet thrive?
- Second, what are the triggers for initiating a transformation?
- Third, once an initiative is started, how do we ensure it succeeds?

Figure 1: Doing digital for impact framework

The framework thereby helps to clarify specific tasks for every level of leadership that have shown to increase success and to foster dialogue across hierarchies (see Figure 2):

- At the system & policy level, politicians define the general conditions and the overall direction of a transformation initiative. In this context, the job of politicians is the one of a “government investor” and “stakeholder representative”
- The organization & ecosystem level is where the transformation takes place. Senior managers are “organization builders” and “businesspersons”
- At the project & operations level, we are in the “engine room” of digital transformation. Middle managers are “solution builders” and “subject matter experts”




| Role | Job description |
|---|--|
|  Politicians | As a “ government investor ” and “ stakeholder representative ”, <ul style="list-style-type: none"> • define the public value outcomes that need to be brought about by specific transformation initiatives • work with senior management and key stakeholders on a political mandate and on a guiding coalition • support projects as an idea sponsor • frame political debates on critical parts of new legislation and help to build simple (IT-)solutions (political/IT alignment) • evaluate current policies and channel the needs to design next generation policies for better public value outcomes |
|  Senior Management | As an “ organization builder ” and “ businessperson ”, <ul style="list-style-type: none"> • align your desired mandate with stakeholder needs and reflect it in the context of the respective political agendas • have a solid business case at hand to be able to pitch your story to your «investors» and foster collaboration with industry and academic partners to build trust and to tap into pools of expertise and innovation • make the goal concrete and tangible to help provide orientation for your team and your partners • connect strategy to execution, building on best practices & customer-centric behaviors • use strategic capability planning to formulate policies needs and to design future projects & operations |
|  Middle Management | As a “ solution builder ” and “ subject matter expert ”, <ul style="list-style-type: none"> • build credibility by providing reliable value-added, i.e., leadership, executive excellence, and intimate client knowledge • foster a culture of ownership by enabling your team to decide on the way in which they work, how they support the implementation of changes, and the ways they ensure that issues that need a coordinated approach by senior management are resolved in a timely manner • collaborate with industry and academic partners to build trust and to tap into pools of expertise and innovation • implement best practices concerning projects & operations • foster continuous improvement by making learnings on capabilities and policy needs visible up in the ladder |

Figure 2: Proposed job descriptions for public sector digital transformation

The results of the study are summarized below in Figure 3. It shows our guiding insights and the recommendations for each role.

| Guiding insights | Recommendations | Responsible |
|---|---|--|
| <div>  <h2>1. Doing digital for impact</h2>  </div> | | |
| <ul style="list-style-type: none"> • 88% of the survey respondents believe that public value will become more important. • System transformations such as the switch to renewables are complex, span long time horizons, and, as such, are not tangible. • Often, there is no need to develop a custom framework as there are many useful ones available (e.g., UN's SDG's or OECD's Doing Digital toolkit). • In contrast to countries with strict fiscal policies, investment plans in the Anglo-Saxon culture facilitate long-term business cases. | <ul style="list-style-type: none"> • Start with the end in mind to make the goal concrete and tangible. This involves defining the public value outcomes with politicians and creating strategic clarity with senior management. • Connect strategy to execution, build on best practices & customer-centric behaviors. • Use the right tools to deal with complexity. Dynamic systems or strategy capability planning are two examples. | <div> ● ● </div> <div> ● ● </div> <div> ● ● </div> |
| <div>  <h2>2. Getting your initiative off the ground</h2>  </div> | | |
| <ul style="list-style-type: none"> • Without a political mandate bigger initiatives are likely to face problems of legitimization. • Aligning around stakeholder needs drives their satisfaction. • The strongest driver for digital transformation is the need for immediacy in the face of "burning" platforms and crises. • A business mindset helps to design win/win-situations for successful project launches. • Successful digital leaders collaborate with industry and academic partners to build trust and to tap into pools of expertise and innovation. This approach is called the triple helix model. | <ul style="list-style-type: none"> • Use effective triggers to get your initiative off the ground. This will be a team effort to align the initiative around stakeholder needs, to work on a political mandate and on a guiding coalition, and to turn the tables (e.g., a crisis) to push the initiative forward. • Approach initiatives with a business mindset. Have a solid business case at hand to be able to pitch your story to your "investors" and foster collaboration with industry and academic partners to build trust and to tap into pools of expertise and innovation. • Gain expertise and trust through collaboration. | <div> ● ● ● </div> <div> ● ● </div> <div> ● ● ● </div> |
| <div>  <h2>3. Transforming successfully</h2>  </div> | | |
| <ul style="list-style-type: none"> • There is an accessible body of empiric research on (IT-)project management and agile practices. • The "perfectionist" bias seems to be specific to the public sector. It can lead to overtasking already heavy projects and thereby kill them. | <ul style="list-style-type: none"> • Follow best practices. They will get you far. • Leverage success and failure factors. E.g., include a "voice of the customer", work on transparency, perform regular success-oriented project check-ups by peers. • Resist perfection. Foster a culture of learning that favors public value outcomes and the pareto principle (80-20-rule) over perfection. | <div> ● ● </div> <div> ● ● </div> <div> ● ● </div> |

Figure 3: Result summary



4. Switching the play



- The need for manual signatures, other outdated form requirements, non-uniform definitions in tax law, and the like, create legal roadblocks for the digital transformation.
- Privacy and sovereignty challenges slow down the adoption of digital technologies such as cloud services, AI, and data-flows. Sometimes conflicting opinions are voiced by different government bodies.
- These technologies shift the power balance and need a response (diplomacy, law).
- The digital skill gap limits progress.
- On average, more centralized countries have a better e-gov ranking.
- For IT, it is generally preferable to have one IT-solution per business concern. Though, decentralized countries typically have many solutions per business concern.
- Our own survey data only weakly correlates with the e-gov rankings.
- **Harmonize and simplify the law for digital.** Politicians should set binding targets enabling broad value gains. Design new legislation with an “outcomes and principles” approach and avoid explicit rules. Senior management should research, design, and track harmonization and simplification efforts with academia and industry.
- **Face privacy and sovereignty challenges.** Work on national data use and sharing policies. Help providing clarity (cf. tax rulings where a tax authority gives a legally binding decree).
- **Bring digital diplomacy into the play.** E.g., frame the issues, give public servants a whole-of-government mandate to pursue the national interests, form supra-national alliances.
- **Invest in digital skills and digital literacy.**
- **Limit organizational complexity.** Assess the effectiveness of the operating model for the digital transformation from a whole-of-government perspective. Set a process in place that ensures horizontal authority and control on all matters digital from this perspective.



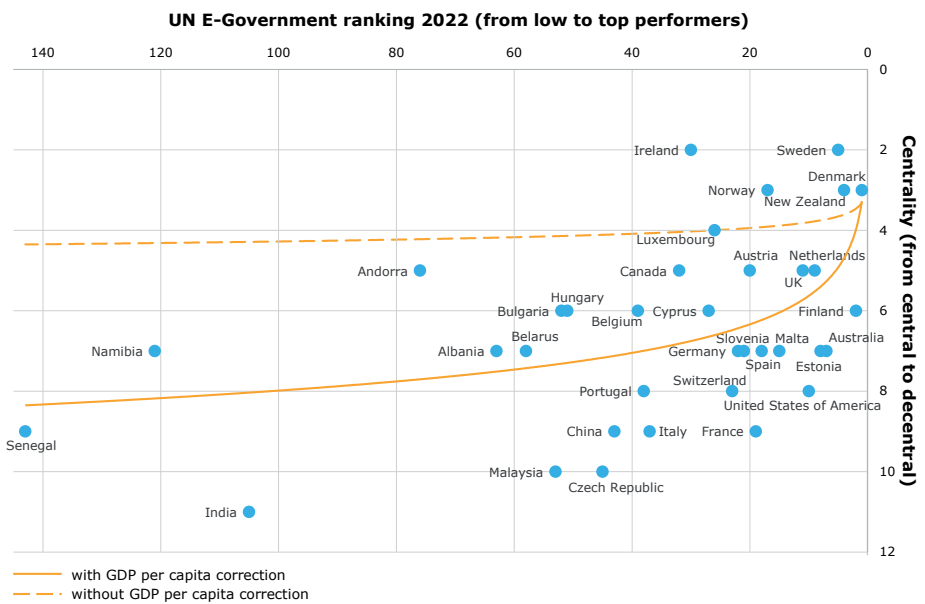
5. Designing organizations



- Customer-centricity has measurable positive effects, e.g., on stakeholder satisfaction
- Reinforcing cross-agency collaboration is critical. Otherwise, the digital potentials are not realized. The business and IT alignment remains a problem area. Digital service teams can help but create issues on their own. Adding a third party to a relationship between that which is already “complicated” creates more friction. Sometimes this friction is used to reset existing power dynamics. We see evidence that IT is entrusted with digitalization in organizations that have a healthy business-IT-relationship.
- Traditional divide and conquer style of management is seen as not fit for purpose.
- Agile ways of working are often still limited to software development. Business agility is not yet integrated in the organization’s operating model.
- Innovation labs seem to have limited effects in the public sector setting. Often, bigger benefits can be realized by using digital technologies well.
- **Bake purpose into the organization through customer-centric behaviors.** Develop the organization into a „customer-centric learning machine” and close feedback-loops.
- **Create incentives for cross-agency collaboration.** A tailored combination of several approaches is often most effective, e.g., through a common boss and a public obligation.
- **Evolve your management system.** Keep the way the organization is managed in sync with agile delivery of its services to avoid frictions. This involves experimentation by senior and middle management.
- **Use digital service teams (only) as your catalysts for change.** Cf. our thoughts organizational complexity. Typically, we would expect more benefits from simplifying the digital operating model.
- **Don’t overdo innovation.** There is obviously a place to challenge the status quo and to foster customer-centric behaviors. Though we would only expect few benefits from dedicated labs without business integration.

Section 4, “Switching the Play”, details how we only found weak correlations to explain the e-government rankings in our survey data. Though, there is an elephant in the room: On average, more centralized countries prove a better e-gov ranking. Considering the arguments for designing organizations for IT systems (known as “Conway’s law”), we recommend simplifying the digital operating models for public administrations by centralizing and creating shared service centers.

Scatterplot (Centralization level vs. E-Government ranking), original analysis:



Foresight and preparatory work are necessary to avoid projects running into problems. We see benefits from using strategic capability planning. The lead times to work on changes in the respective areas of influence are highlighted in orange.

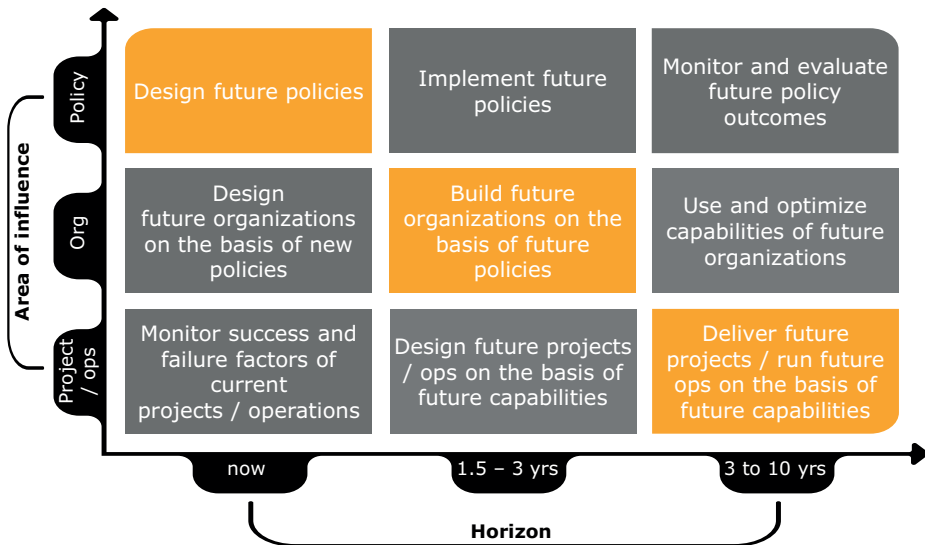


Figure 4: Scatterplot (Centralization level vs E-Government ranking), original analysis.

Figure 5: Strategic capability planning for digital transformations – The lead times to work on changes in the respective areas of influence are highlighted in orange. The policy & organization needs are not only determined by politics but also by unmet needs, e.g., from the planned and ongoing transformation.

Experienced in a wide range of industries

About Eraneos Group

Eraneos Group is an international management & technology consulting group providing digitalization and transformation services, from strategy development to implementation. It has emerged from the alliance of Ginkgo Management Consulting, Quint Group, and AWK Group, as announced in 2021, and with DCP and W21, in 2022. The Group serves clients across three continents where some 1,000 dedicated and highly skilled professionals work jointly to unleash the full potential of digital. Services range from the development of digital business

models and data analytics to cyber security, and from sourcing and IT advisory to the management of complex transformation projects. Eraneos Group has offices in Switzerland, Germany, Luxembourg, Spain, the Netherlands, China, Singapore, and the USA. In 2021, Eraneos Group realized a turnover of close to 200m EUR.

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