

# UNIT4

## In Business for You

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**STATE OF THE DIGITAL NATION: PUBLIC SECTOR**  
FIVE KEY FINDINGS ON TRANSFORMATION CHALLENGES  
AND OPPORTUNITIES FOR INNOVATION



# Introduction

Let's draw back the curtain on the back office

I am pleased to introduce Unit4's first annual 'State of the Digital Nation' which examines digital transformation in the public sector around the world exploring the challenges and successes of back office innovation.

The global public sector is coming through one of the toughest challenges it has ever faced, but in some ways, it has demonstrated what is possible in terms of digital transformation. However, organizations face an even tougher task in the years ahead to maintain essential public services and continue to invest in innovation to deliver significant improvements. It will require a mindset shift to embrace the change needed to modernize public services and a willingness to be more agile, accepting that disruption will ultimately lead to operational efficiency, cost savings and therefore better value for citizens.



**Mark Gibbison**  
Head of Strategic Motions  
Unit4



# Research Overview

Around the world, the public sector has excelled at providing a vast range of services on tight budgets and amid volatile conditions. Teams have had to meet surging demand, develop agile ways of working, and adopt remote working in an instant.

Often, tech-savvy and frontline services have received all the innovation and plaudits. But now it's time for back-office teams and their digital transformation to take the limelight.

This whitepaper reveals key findings from State of the Digital Nation, the first annual, global survey of digital transformation across the public sector that explores the challenges and successes of the back-office innovation.

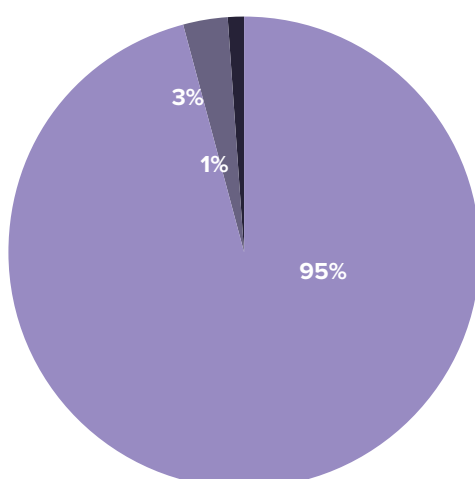
Produced by Unit4 in partnership with Vanson Bourne, the research examines the digital journeys of public sector organizations. Some are already reaping the rewards of greater operational efficiency and productivity. Others are struggling to find their way.

For every organization, now's the time to put lessons learned into normal working practices, to balance the books, discover what 'good looks like' – and drive towards it.

The research provides deep insights that will prove valuable to finance, HR, IT, and operations professionals as they make decisions that will impact 2022 and beyond.

## State of the Digital Nation research

- Research gathered and published: 2021
- Countries: US, Canada, UK, Belgium, Sweden, and Australia
- Organizations: Central government, local government, healthcare, emergency services, and other agencies
- Professionals: 600 decision-makers, including HR, IT, and finance



### DX strategies

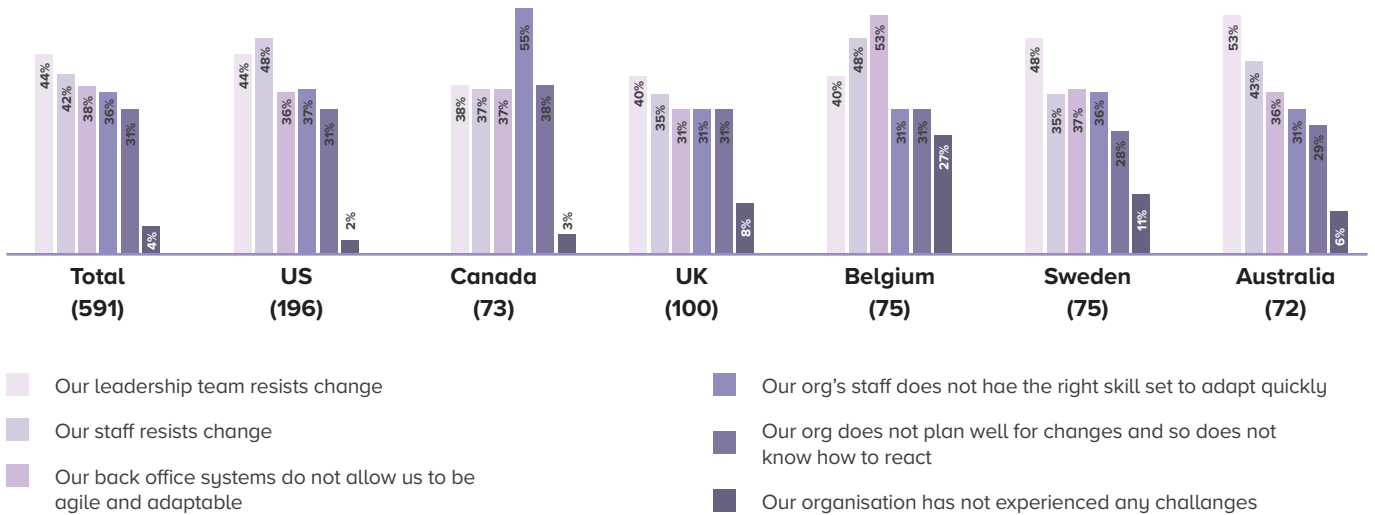
- We have a digital transformation strategy that has been rolled out to some extent
- We have a digital transformation strategy, but it's not all implemented/all rolled out across any areas of the organisation
- We do not currently have a digital transformation strategy

# Key finding 1: Significant changes have happened within the public sector over the past two years, but many organizations are struggling to adapt

Almost every respondent in the survey (**99 percent**) saw changes to their services or targets outside of the impacts of COVID-19 over the past two years. Most commonly, organizations have been impacted by increased public pressure to improve spending transparency (**55 percent**) and to make services slicker and smarter (**52 percent**).

However, **95 percent** of respondents who've seen changes have struggled with them.

## Challenges of adapting



A workforce that is fearful of change may cause an organisation to stagnate, which is problematic in the public sector especially, given they are typically behind the private sector in a lot of ways.

The most common adaptation challenges are a resisting leadership team (**44 percent**), a resisting workforce (**42 percent**), and back-office systems that do not allow for agility or adaptability (**38 percent**).

But there are significant differences both regionally and by sub-sectors within the public sector.

Looking at the top finding Leadership resist change - Globally Central Government result is (**56%**) yet in Australia this is (**78%**)

Yet in Canada their biggest challenge is that their staff don't have the right skills to adapt quickly **47%** and in Belgium their back-office systems don't allow them to be agile. (**53%**)

# Key finding 2: Digital transformation remains top of the agenda — but still a way to go

Researchers found that **95 percent** of organizations have a digital transformation strategy but only **29 percent** consider it fully implemented. For those yet to arrive, their digital destination seems **2.5 years** away on average.

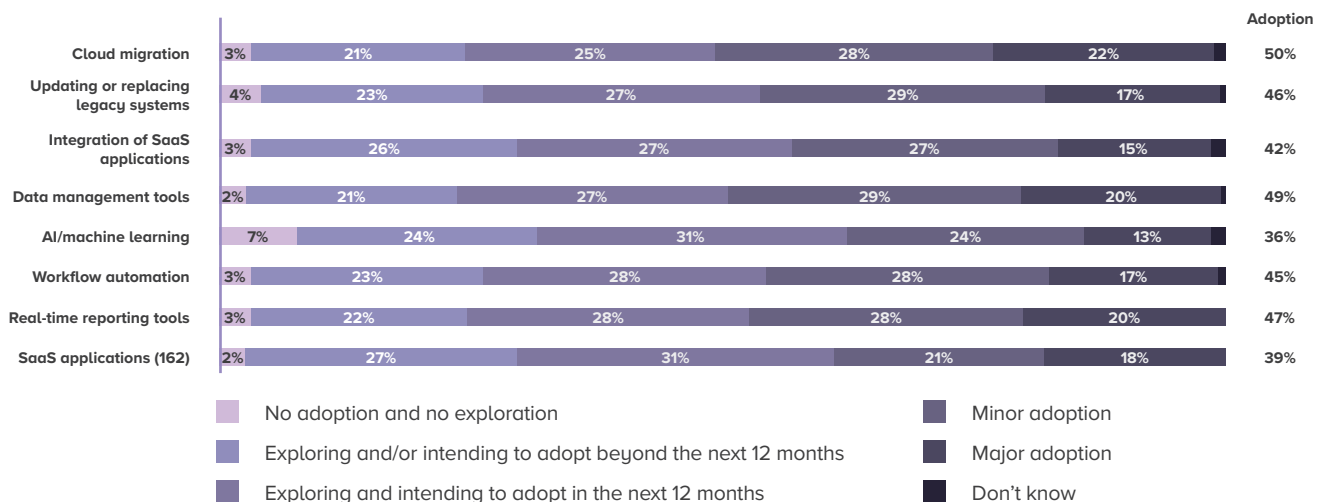
This is perhaps one of the most significant takeaways from the report — and should ring alarm bells among executives. Already, the public sector lags behind other verticals and there’s the risk of that gap widening, as others build on their digital advances from remote working. The danger here is that **2.5 years** becomes a rolling target that’s never reached.

## Intent exists but without the delivery

Within the public sector, there are relatively low levels of adoption of different technologies that improve back-office systems, but high levels of exploration — though implementation hasn’t happened yet. For example, only **50 percent** have migrated to cloud and only **46 percent** are updating or replacing legacy systems.

### Digital transformation varies significantly by country and sub-vertical

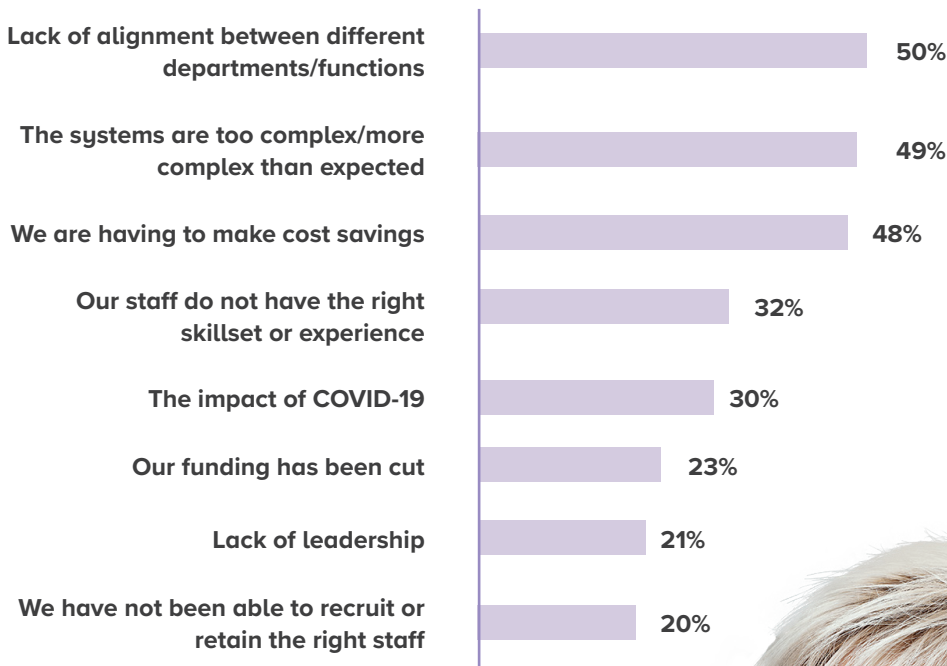
Only **11 percent** of Canadian organizations say transformation is fully implemented, compared to **40 percent** of their Swedish counterparts. At **24 percent**, emergency services are the least likely arm of the public sector to have fully rolled out their strategy.





## What's the issue here?

Among respondents who lack confidence in their organization's ability to transform effectively, the most common reason is a lack of internal alignment. This is closely followed by the complexity of the systems and having to prioritize making cost savings over the transformation. This is particularly frustrating given that transformations are designed to make these organizations more efficient, therefore providing cost savings through their implementation.



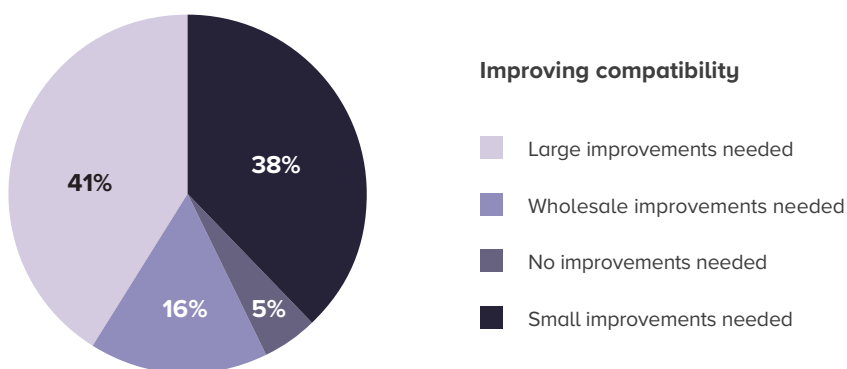
## Key finding 3: People value the benefits of digital transformation. But specific issues are keeping the ‘gold standard’ out of reach

It's heartening that **85 percent** of respondents agree that changes to back-office systems have made their lives easier. HR teams have been driving success in this area and are now starting to see the benefits of a happier, more productive workforce. It's also intriguing that the adoption of AI/machine learning tools has outpaced the integration of Software as a service (SaaS) applications.

However, obstacles exist with digital transformation. For example:

- **86 percent** of respondents believe that people lack the right skills and training to adapt to changes
- **99 percent** of those using or exploring SaaS applications report challenges, including management complexity (**41 percent**), time to manage SaaS vendors (**38 percent**), and security concerns (**38 percent**)
- **Only nine percent** report that data is compatible across all applications, with no duplication of data entry or transfer in any cases. A large section have to manually key data from paper (**38 percent**) and/or manually export data between systems (**43 percent**)

This last point cannot be understated, considering that many public sector organizations have multiple systems that support an array of different services. The ability to bring these systems together so they can share data is critical.



**95% think that compatibility of data across apps and departments could be improved.**

**If that could be achieved, then the time savings gained might even mean some of those cuts to citizen services don't need to happen.**

**As organizations look to reduce cost and increase collaboration when delivering citizen facing services, they'll need the ability to easily and simply share information, measure and benchmark the cost of frontline service delivery, and streamline processes and increase performance. It is therefore essential that systems and their data can be accessible and trusted.**

# Key finding 4: After funding peaks and troughs, public sector organizations need to balance the books

Despite running a more streamlined service during the pandemic, some public sector organizations saw their funding increase at times through greater public spending or charitable donations. But any extra money was linked to the pandemic and so could only be seen as temporary. Sudden changes in funding means that organizations now need to work out how to manage the allocation and reporting of funds, quickly, accurately, and flexibly.

Many organizations are considering radical steps:

- **95 percent** are looking to make cost savings – most commonly by making cuts to desperately needed services. This is highest for emergency services (**54 percent**)
- When making cuts, **35 percent** of organizations would look to make redundancies and **22 percent** would invoke pay freezes
- Some are considering cost savings through joining a shared service (36 percent) or via outsourcing (**35 percent**)
- **One third (33 percent)** would be looking to close or sell buildings – which seems more viable now that remote working is seen as critical to attracting and retaining staff

Although most have focused on speed, quantity and cost effectiveness of services, the pandemic has opened the door to innovation. Public sector organisations can now embrace (or further explore) these technologies. And in doing so realize that these marginal benefits are only the beginning of what their new operational technologies can bring to the table.

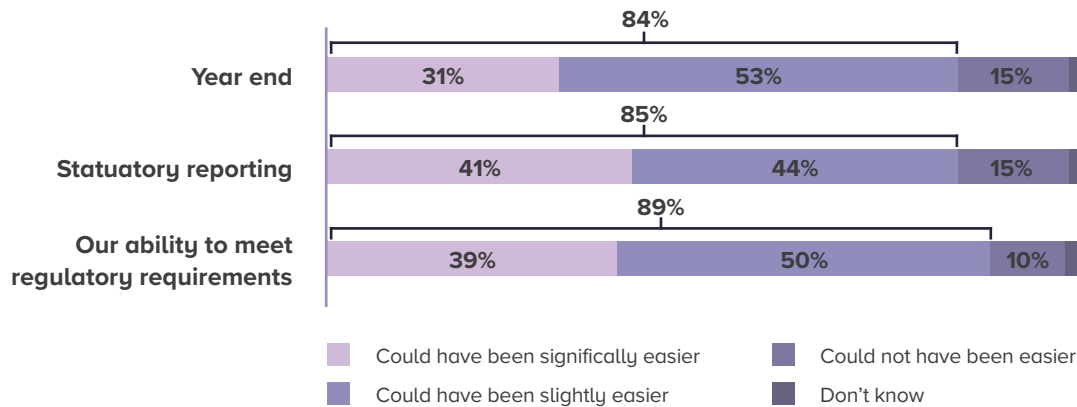
## What are the risks and alternatives to service cutbacks?

The clear risk from the report is that organizations cut frontline services — and impact the very same citizens who had been pressuring them to accelerate change. In many instances, a better approach would be to improve and speed up digital transformation, focusing on quick wins to improve the bottom line while advancing strategic, longer-term improvements.



The vast majority of finance DMs report that year end (84%) statutory reporting (85%) and their ability to meet these increasingly complex regulations (89%) could have all been easier for them.

There are a host of challenges for finance DMs and the wider organisations in general when it comes to finance management. The unsteady funding landscape will be adding to those pressures too. A solution which can support these organisations with functionalities like planning, budgeting, forecasting, procurement support, etc. will help with decision making, agility and transparency - three key facing the finance functions.

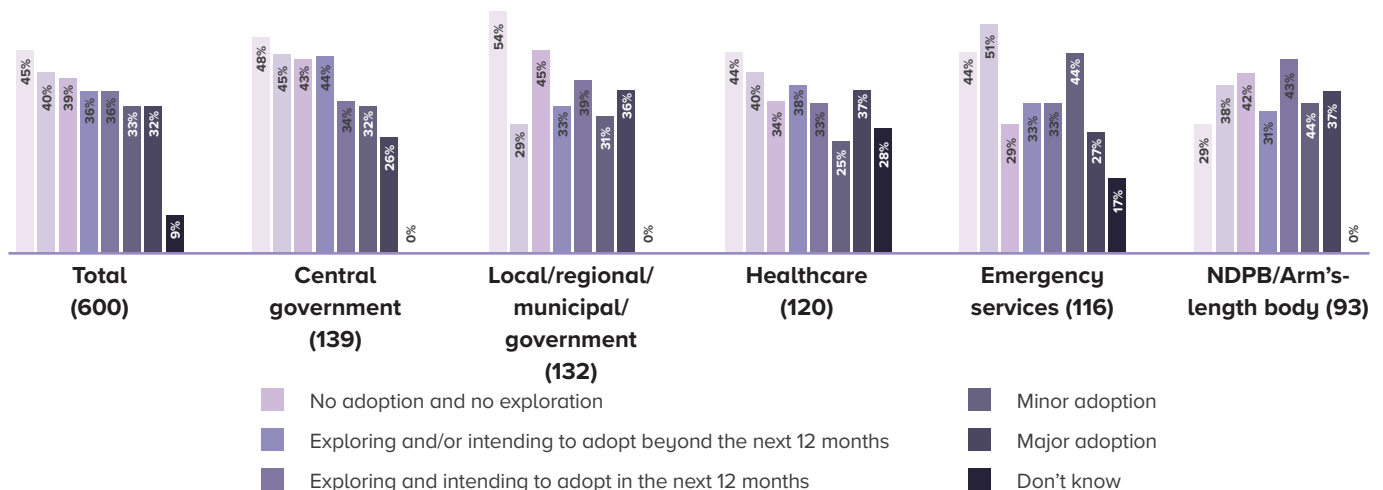


The public sector has always worked so hard to provide a **huge array** of community and citizen services on a **tight budget**, the past year has only intensified this pressure *but the reasoning behind need for agility and transformation has evolved*.

**Speed, quantity and cost-effectiveness are key metrics when it comes to delivering a successful service in the public sector**

These act as a benchmark for the public sector. Is they can improve processes to support there three key areas - whether that be with skills, with technology, or with better planning and resource allocation - the impact across what they can offer service-wise would be improved

**Success metrics**



As KPIs and targets change while we work towards the new normal, meeting the needs of citizens and the challenges of mandated targets will only get more complex. We see areas of the public sector globally that have embraced transformation and aligned systems to increases performance and agility. But that is not the same for areas of public sector, who still rely on older, on-prem systems, processes and routines, which can frustrate front line services and citizens alike in today's world of collaboration and shared responsibility for citizen services.

# Key finding 5: Even though their organizations struggle at times, professionals have a clear idea of what digital transformation should look like in their workplace

Respondents were asked what they would prioritize if they could redesign their back-office processes from scratch. Here's their wish-list:

## 1st: Real-time data and reporting to ensure reports are up to date and instant

It's evident that public sector professionals have felt the pain and now they want to see improvement. The vast majority of respondents feel that — over the past 24 months — their ability to access real-time data (88 percent) and the range of information they need to do their role (90 percent) could have been easier.

## 2nd: Predictive analytics for workforce planning and forecasting

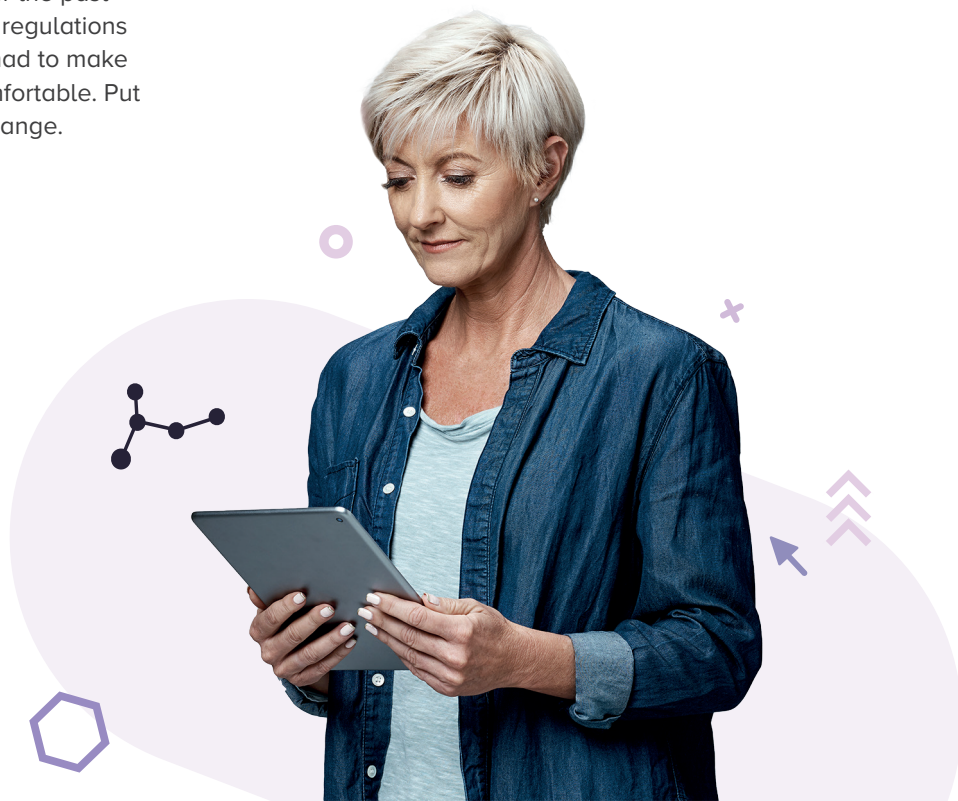
Among finance decision-makers, 99 percent saw challenges when adapting to changes in expense management and procurement processes over the past 24 months. Meanwhile, 43 percent have seen regulations become more complex and 43 percent have had to make decisions more quickly than they felt was comfortable. Put simply, they want to be better prepared for change.

## 3rd: Automation to deploy people with the right skills at the right time to the right location

This demonstrates that professionals have a mindset that's attuned to agility. Respondents recognize the challenges of change, but they believe technology should help to shape their organizations according to need — and to do this relatively effortlessly.

## How to get there?

The good news is that organizations don't need to choose one priority over another. The best public sector ERP systems deliver on each of them — with processes that interlink. This transformation can support public sector in improving decision-making and sharpening their operational efficiency, which in turn leads to faster outcomes, higher service levels, and greater cost savings.



# Five qualities the public sector needs from vendors

Whatever level of digital maturity they've reached today, organizations need to find new ways to increase the speed, quantity, and cost effectiveness of their services. They must build on what they've learned during turbulent times and avoid getting left further behind.



Vendors that can speed up back office processes to **improve efficiency and productivity**



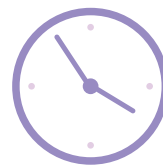
Vendors that can **free up staff** to focus on **delivering citizen or community services**



Vendors that can support **greater agility** and strategies to **cope with unexpected changes**



Vendors that can support **visibility of accurate data** for budget planning and allocation, forecasting and more



Vendors that can **provide faster access to real-time data** and up-to-date reporting

# Some organizations have found the answer

## Collaboration and automation deliver substantial savings

Two UK police forces have achieved £4 million in annual savings through collaboration and back-office automation. South Wales Police and Gwent Police now have a shared ERP strategy that's improving services for the citizens and achieving greater efficiency through process automation.

Both forces have achieved better outcomes with the right police resources deployed at the right location, at the right time, and with the right skills.

## Joined-up digital services save a fortune

Southampton City Council has made substantial savings thanks to integrated finance and HR in the cloud, best-practice process automation, and intuitive self-service.

Previously, much of its data was locked in fragmented silos. But today the council's joined-up digital services have unlocked a wealth of benefits, enhancing the citizen experience and maximizing efficiency.

Benefits include complete visibility and control of procurement, saving around £200,000 per annum; unified HR and payroll savings worth £80,000 annually; a cloud strategy that saves £40,000 each year; and a further £70,000 saved by eliminating legacy software.

## Intelligent analysis drives greater efficiency

East of England Ambulance Service NHS Trust is making fast, trusted financial planning decisions that help to improve service and increase efficiency.

The trust has eliminated reliance on manual, fragmented spreadsheets. Instead, it has a single platform for its financial planning needs, from planning cash-flow and operational budgets to forecasting monthly costs.

Financial budgeting and forecasting are now one third faster, as well as timelier and more accurate. Its cloud-based system also frees more resources for strategic tasks.

# Unit4: Your partner in public service excellence

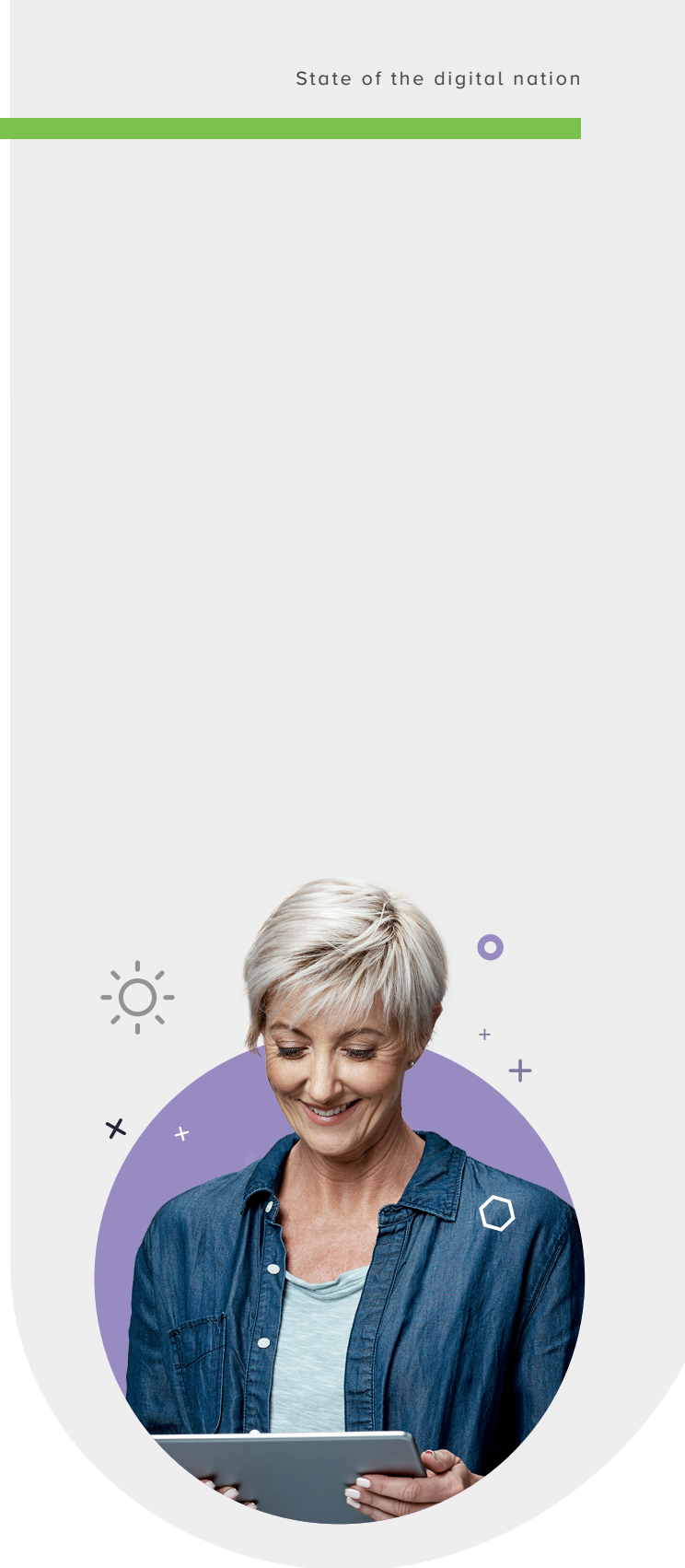
At Unit4, we've specialized in software products for service organizations, where people make the difference. Our technology is central to the organizations we serve — it improves efficiency and productivity, and allows people to spend more time on meaningful work.

Our public sector software solutions focus on People Experience to help free your teams to do more of what matters: delivering greater value. Our solutions for finance and HR are enabling public sector organizations to boost productivity, reduce costs, effectively plan for the future, and do even better for the people you serve.

## Discover more

- **Try our ROI Calculator**  
How much could you save? Calculate some common areas where digital transformation with Unit4 ERP delivers significant return on investment.
- **Read the ebook**  
Find out how to drive efficiency and empower frontline services. Download your copy of Helping public sector organizations increase citizen value

Find out more at <https://www.unit4.com/industries/public-sector-software>.



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