

Unit4's State of the Digital Nation for Public Sector 2023

HARMONIZING DIGITAL TRANSFORMATION TO
CREATE OPERATIONAL EFFICIENCIES



Introduction

Every two years, Unit4 undertakes a survey of digital transformation efforts across the public sector.

This year's survey explored the progress in digital transformation made by institutions in the UK, Canada, the Netherlands and Sweden since our last State of the Digital Nation research, undertaken in 2021. For our latest study we interviewed 300 public sector professionals across central and local government, non-governmental bodies and healthcare. In this whitepaper, we present the State of the Digital Nation for the public sector for 2023.

Digital Transformation in 2023

Organizations face difficult choices to balance the need to identify cost efficiencies, while still maintaining the appropriate levels of services for citizens. Moreover, inconsistency in strategy is hampering transformation, which is likely as a result of organizations having to switch focus from dealing with the pandemic to short-term initiatives to sustain services against a backdrop of budget constraints.

But if public sector bodies do not keep sight of long-term objectives for transformation, they risk stagnation at a time when accelerating such initiatives will be even more important to improving services and outcomes for citizens.

Key findings

- The worldwide average for completing digital transformation programs is 2-3 years suggesting there has been little progress in speeding up delivery since 2021
- Top priority was to achieve cost savings by adopting lower cost collaboration solutions that deliver efficiencies, whereas in 2021 it was by making cuts to citizen or community services
- Key reason transformation initiatives are struggling is because of changing priorities
- Top three areas where organizations have seen changes to services and targets are:
 - Greater pressure to deliver efficiency savings (37%)
 - Public pressure to improve spending transparency (34%)
 - Growing central services/ shared service footprint (33%)



The pace of change is static despite more confidence in on-time and on-budget delivery

Overall confidence has improved since 2021, but the pace of digital transformation has not. Most respondents say it will take **2-3 years to fully digitize**. Worldwide there has been a reduction in those saying their digital transformation strategies have been fully implemented – 21% in 2023 vs 29% in 2021. There is also an increase in those saying their digital transformation strategies have been minimally implemented – **31% in 2023 vs 22% in 2021**.

Compared to the 2021 study, there is more confidence that projects to transform the back office will be delivered on time in 2023 (**52% vs 41% in 2021**) and will be delivered on budget this year (46%) compared to two years ago (43%). This may be borne out of the necessity to ensure project delivery is micro-managed in the face of growing scrutiny of budgets.

However, there are discrepancies in the 'C' Suite over the delivery of back-office transformation. HR (63%) very confident they will be delivered on time compared to only Finance (48%) and IT (45%). It may also be wishful thinking from Finance (55%) that projects will be delivered within budget compared to HR (41%) and IT (35%). Additionally, Finance (55%) is more confident on achieving level of interoperability compared to HR (44%) and IT (37%).

Measuring success: the impact on citizens

Our findings also reveal changes in how the public sector measured success with the ability to deliver services without raising taxes having become less of a priority metric. In 2021 it was the number two priority at 40%, but it's now dropped to number three, with only 33% citing it. Similarly, it was less of a priority in 2023 to measure the number of services delivered within budget (2021's 3rd priority.) The number one measure now is the ease of access to and speed of delivery of services, followed by the number of citizens successfully treated or moved through a service.

In the last 24 months, the two biggest pressures in the public service were a greater need to deliver efficiency savings and growing public pressure to improve spending transparency. Aside from adopting lower cost collaboration solutions that deliver efficiencies, respondents are also moving to more flexible working policies to save salary and operational costs –which is the biggest priority for non-governmental bodies. The third biggest priority is on making cuts to citizen or community services globally (29%), which is the top priority for UK (37%) and central Government respondents (35%).

Could a lack of goal consistency impact long-term delivery?

This year's findings also show clear evidence of general impediments to transformation programs. Shifting goal posts are having a detrimental effect on the long-term delivery of transformation initiatives, with 40% saying that changes to priorities are delaying or stopping digital transformation. This problem is most prevalent in the UK (45%) and central government (49%). Internationally, the second major challenge is leadership resistance to change (32%), and the third biggest impediment is back-office systems that prevent organizations from being agile and adaptable (32%). Separately, the biggest challenge for local government – across all geographies - is staff resistance to change.

Drilling into the detail

1 - Digital transformation is slowly regressing in public sector worldwide

Digital transformation has slowed down compared to 2021 with a reduction of 8% in fully implemented strategies and increase of 9% in minimally implemented transformations. The majority of respondents say it will take 2 – 3 years for their transformation strategy to be completed.

Time to complete digital transformation strategies: by region

- Sweden has the largest number of respondents (58%) who say 2 – 3 years
- Canada has largest number who say in the next 12 – 18 months
- UK most who say 18 months to 2 years (32%)
- Netherlands most who say in the next 12 months (6%)

Transformation confidence is improving in specific areas

Confidence that back-office transformation projects will be completed on time and on budget are up 10% and 3% respectively.

Confidence back-office transformation will be delivered on time (by line of business)

- HR – 63
- Finance – 48%
- IT – 45%

Confidence back-office transformation will be delivered on budget (by line of business)

- Finance – 55%
- HR – 41%
- IT – 35%

Finance teams (55%) are also more confident on achieving level of interoperability compared to HR (44%) and IT (37%)

2 - Technology adoption appears to be positive

More than a third of respondents are adopting a wide variety of tools. The top priorities are: Data management tools – 52% say they are in adoption mode. 47% are in adoption mode for SaaS apps, and 46% are actively adopting ways to update or replace their legacy systems. The fact that these particular technologies are the highest adoption priorities speaks to the overall importance of **data compatibility and interoperability**.

Data management tools: adoption priority by region and subvertical

- UK: top priority (64%); Canada lowest priority (38%)
- Healthcare: most focused on data management tools (62%), cloud migration (58%) and updating legacy systems (56%)
- Local govt: priority is integration of SaaS apps (56%)
- Central govt: priority is data management tools (51%). Only 32% say updating legacy systems is a priority

Replacing legacy systems: priority

- Netherlands: places greatest emphasis on cloud migration (67%) and updating legacy systems (59%)
- Canada: top priorities are integration of SaaS apps (45%) and AI/ machine learning (45%)
- AI and Machine Learning are bigger priorities across the board: 44% are in adoption mode

3 - Barriers to transformation

Constantly shifting priorities in response to a changing working landscape – combined with the usual constraints experienced by all public sector organizations – present a genuine obstacle to the success of digital transformation projects globally. There is a conflict between need for transformation and the constraints being placed on public sector organisations when it comes to measuring success. Most are experiencing pressure for more efficiencies but struggling to deliver services without tax increases, as well as facing difficulties to hire the right people and focus on clearing backlogs.

And these changing priorities are stopping transformation programs (40%). The biggest problems are in the UK and Canada (both 45%) and for central Govt (49%) and healthcare (40%).

Moreover, almost a 3rd of organizations report that leadership resistance to change is causing programs to falter (32%). Without top-down direction transformation strategies will struggle even in the organizations most eager to implement them. What's more, staff resistance to change represents a huge barrier – particularly for local government.

Beyond this, respondents also cite back-office systems which don't allow organisations to be agile and adaptable (32%).

Overall there has been a decline in the focus on measures to monitor the success and quality of services delivered, as well as the ability to deliver services without raising taxes or within budget. This suggests public sectors worldwide are struggling to cope in the current economic climate:

Top 3 global changes in success measures in the last 2 years

- **Greater pressure to deliver efficiency savings (37%) – significantly higher change in the UK (49%)**
- **Public pressure to improve spending transparency (34%)**
- **Growing central services/ shared service footprint (33%)**

Top 3 ways to make cost savings

- **Adopting lower cost solutions that deliver efficiencies through collaboration (33%); biggest priority for Sweden (36%); top priority for healthcare (38%) and local Govt (39%)**
- **Moving to a shorter working week to save salary costs (30%) Biggest response from non-Govt bodies (53%)**
- **Making cuts to citizen or community services (29%) – lower than in 2021 (40%). UK (37%) strongly in favour of cutting services; top response from central Govt (35%)**

4 - The rising importance of data compatibility

The need for a wholesale improvement in data operability has become a much more pressing issue than in previous years.

In 2023 35% say data is compatible across some applications, so there is no duplication of data entry – this compares to 53% in 2021, indicating a huge increase in the prominence of this issue in spite of a decrease in the prevalence of manual data entry. Fewer respondents are completely confident in 2023 (43%) than they were in 2021 (48%) that transformation will deliver data interoperability.

Manual entry: on the retreat

- **36% saying data is manually keyed/ entered by someone from paper to software systems**
- **42% say data is manually exported from one system and then imported into another system**
- **Central Govt has the biggest problem with manual data entry (49%) and manual exporting of data (54%)**
- **Local Govt: more positive story with 53% saying data is compatible across apps, so there is no duplication**

Data compatibility: a need for wholesale improvement

- **29% of organizations say there's a need for wholesale improvement in data interoperability: up from 16% in 2021.**
- **Central govt (43%) has the highest demand for wholesale improvements to data compatibility, followed by local Govt (29%)**



5 - Senior decision makers are not pulling in the same direction

If they could start processes from scratch, Finance wants to focus on predictive analytics (29%), HR on better oversight of expenditure, income and budget (33%) and IT on the ability to share and connect data (29%). This creates huge alignment problems when it comes to keeping transformation projects a priority and ensuring they work for the whole organization.

Office of the CFO

It's getting harder than ever before to be a finance leader in the public sector. CFOs face some very particular challenges.

- Compared to 2021 (31%), respondents complain it could have been significantly easier (57%) to do year end.
- Access to real-time data was significantly harder in 2023 (54%) compared to 2021 (40%).
- The ability to meet regulatory requirements was significantly harder in 2023 (52%) compared to 2021 (39%).

Office of the CHRO

For CHROs, the biggest challenge remains attracting and retaining the right people – and being able to quickly and effectively identify skills gaps and ensure everyone keeps up their development. Because talent markets are heavily contingent on local conditions, the picture for these challenges varies a great deal between different regions.

UK: the most able to recruit from a wide geographic area due to remote working (38%) but least likely (3%) to be able to hire staff with greater or different technical expertise to make the most of back-office transformation.

Sweden: better able to recruit staff with the right skills (43%), but also the least likely to find the right people when recruiting (9%), or recruit people with greater or different technical expertise to transform back-office systems.

Netherlands: able to recruit staff from a wider geographic area due to remote working and better able to recruit staff with the right skills (36%), but also the least likely (7%) to recruit people with greater or different technical expertise to transform back-office systems.

Beyond this, different parts of the public sector also experience very different talent and people landscapes:

Local government organizations are most likely to be able to recruit from a wider geographic area due to remote working (56%), but also struggle to find the right people (9%).

Central governments are better able to recruit staff with the right skills (37%), but least likely (8%) to recruit people with greater or different technical expertise to transform back-office systems.

Healthcare organizations are better able to recruit staff with the right skills (28%), but least like to say they can recruit staff with the right skills (15%) and recruit people with greater or different technical expertise to transform back-office systems (15%).

Remote working progress seems to have stalled

- **2021 - 100% remote work = 32%; hybrid office = 57%**
- **2023 – 100% remote work = 33%; hybrid office = 53%**
- **More have returned to the office: 2021 = 8%; 2023 = 13%**

How Unit4 can help you overcome these challenges

Unit4 can help you transform the way your people work, to drive efficiency, build in predictability and increase citizen value. Our public sector software solutions focus on People Experience to help free your teams to do more of what matters: delivering greater value to the community. Our solutions for Finance and HR are enabling Public Sector organizations like yours to boost productivity, reduce costs, effectively plan for the future and do even better for the people you serve.

Unit4's enterprise resource planning (ERP) solutions power organizations across the world. Bringing together the capabilities of Financials, Procurement, Project Management, HR, and FP&A to streamline processes, share real-time information, and deliver greater insights to drive organizational agility and resilience. With a relentless focus on people, we've built flexible solutions to meet Public Sectors unique and changing needs.

Everyone's journey is unique, so our modular approach matches your pace, and our industry specific models help you get up and running quickly, on a platform that is designed to connect to your own data sources and applications, and flexible enough to enable business change without disruption. One tightly integrated SaaS platform built to deliver the organizational resiliency and agility you need now and in the future.



The Unit4 Public Sector Industry Model

Our industry model approach provides Finance and HR teams in public sector organizations with solutions that transform how people work – giving them time to focus on what matters most: delivering citizen value.

The model provides public sector specific capabilities and workflows to help you deliver more responsive services more quickly. Meaning you won't only be able to increase efficiency, achieve compliance, transform service delivery, and empower your people – you'll be able to do it in half the time it would take you to implement any other ERP.

The Public Sector Model provides:

- **Specialized knowledge of the Public Sector and its technology requirements** – because we understand your sector, we can provide tailored solutions that give

you the functionality, agility, and efficiency you need to create a better operating environment out-of-the-box.

- **Fast time to value** – a quicker implementation process with reduced risk thanks to pre-built workflows means your organization realizes more benefits more quickly.
- **Improved data integration** – our flexible cloud platform lets you integrate multiple, changing technology stacks and our best practice guidance helps you unify data and simplify your statutory reporting.
- **Futureproof technology** – we're committed to investing in best-of-breed tech that helps you meet changing sector needs.
- **Satisfy citizens and retain talent** – deliver user-friendly digital experiences and automations that meet the ever-rising standards of the modern service economy. Brining a better experience for service users and reduced administrative burdens for your people.



How customers have leveraged Unit4 solutions to transform services

Improving outcomes through shared service

Unit4 ERP helps South Wales and Gwent Police save millions through collaborative finance and HR strategy, by minimizing complexity, streamlining updates and ensuring one common way of working.

- Providing a single record of finance and HR data to drive automation, ease of use, and improved resource allocation.
- Improving outcomes by ensuring correct resource and skill deployment is possible at any time.
- Saving the two forces £4 million annually through process automation.

[Find out more](#)

“For the first time, we have a single, complete, timely picture of demand, the skills, and resources available to meet that demand, and the nature of the incident.”

Umar Hussein

MBE, Chief Financial Officer, South Wales Police

Forward thinking finance empowers modern government

Cherwell District Council has dramatically raised the bar for future transformation projects in local government by unify its finances with Unit4 ERP, implemented by Embridge Consulting.

- Reducing Cherwell's bank reconciliation process from 18 days a month to just one day.
- Halving time spent each month on finance processes.
- Reducing the Council's running costs by 33% over 5 years as part of an overarching digital transformation strategy.

[Find out more](#)

“Unit4 understands the complexity of local government – the platform is tailored around our needs. It also connects easily with other systems, is intuitive to use, and offers unmatched financial management integrity.”

Claire Taylor

Corporate Director for Customers, Organizational Development, and Resources

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.

Key benefits include:

- Complete procurement visibility and control, saving approximately £200,000 in total
- Unified HR and payroll, saving 500 hours in time and £80,000 annually
- Cloud strategy, saving £40,000 annually in legacy technology cost avoidance
- Modern income management will save £70,000 by eliminating legacy software

[Find out more](#)

Taking digital transformation and finance to the next level

Metro Vancouver sort to improve its financial operations with a more streamlined and automated digital model to reduce duplication and paper processes, as well as create a centralized bank of financial information. They eliminated the need for technical support for integrations by 30%, reduced average processing time by 20% and dramatically reduce their error rate through code completion and validation.

[Find out more](#)

“Unit4 is making the council smarter and more agile. By automating and streamlining processes in the cloud, as well as introducing self-service, Southampton City Council can direct more resources to front-line services”

Helen Baker

ERP Support and Development
Manager, Southampton City
Council

“Unit4’s digital capabilities, self-service reporting features, flexi-field functionality and user-friendly screens, best met our needs and provided us with the opportunity we are looking for to take our business to the next level.”

Linda Sabatini

Finance operations and systems

For more information go to:

unit4.com

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