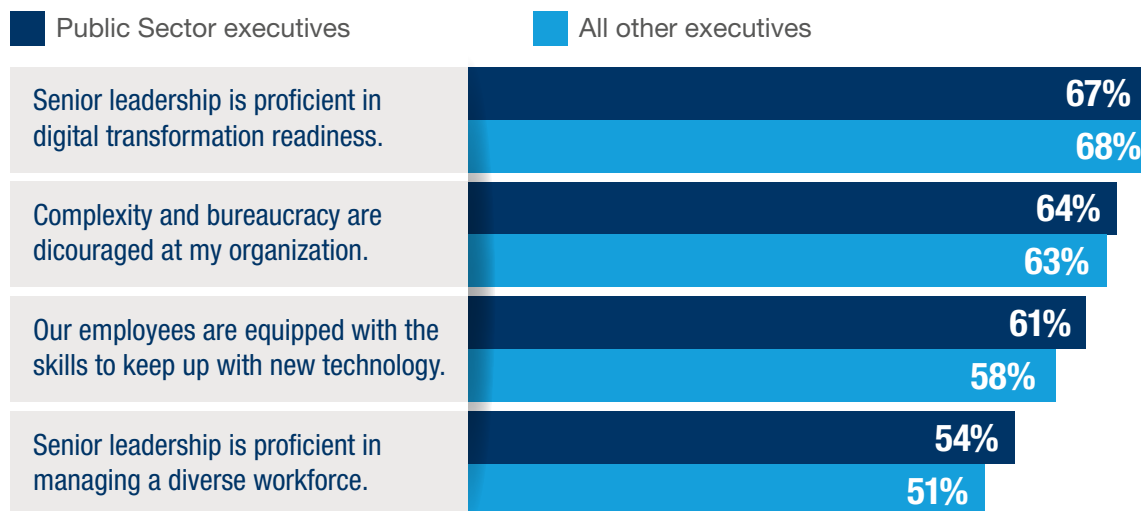# Digital leadership in the Public Sector

Digital transformation promises great things for the Public Sector and the constituents it serves, from lower costs and greater efficiency to real-time services, seamless communication, and enhanced program effectiveness. But these payoffs will only be realized if leadership and employees at all levels are up to the task—and there is work to be done on that front.

Oxford Economics recently surveyed 2,050 senior executives and 2,050 employees from around the world and across industries about the ways leadership and strategy are changing for the digital era. These surveys included a meaningful sample of senior leaders and employees from the Public Sector—enough to provide an overview of this diverse segment of the economy, if not a nuanced analysis of its varied components.

Although the Public Sector is sometimes stereotyped as bureaucratic and slow-moving, employers in every industry face similar challenges along the road to digital transformation—and in fact, the Public Sector organizations in our survey are performing just as well as profit-seeking companies in many areas, from decision-making to diversity.

Public sector keeping pace in key areas

■ Public Sector executives   ■ All other executives

Senior leadership is proficient in digital transformation readiness.	67% / 68%
Complexity and bureaucracy are dicouraged at my organization.	64% / 63%
Our employees are equipped with the skills to keep up with new technology.	61% / 58%
Senior leadership is proficient in managing a diverse workforce.	54% / 51%

Yet these organizations have their own culture and a different mix of incentives and goals that make their leadership challenges different from those of profit-seeking industries. Our analysis of survey data revealed three critical imperatives for Public Sector leaders:

■ **Focus on digital skills.** Like their peers in other industries, Public Sector executives lack confidence in their organization's digital proficiency. Cultivating digital skills among both senior leaders and the general workforce should be a priority.

■ **Drive diversity across the organization.** Public Sector organizations must continue to improve their diversity numbers at all levels of seniority to mirror the broad populations they serve.

■ **Emphasize employee satisfaction.** Happier workers are better workers, but Public Sector organizations are not yet maximizing employee satisfaction—and may face a talent crisis if they fail to attract younger workers.

Ultimately, digital transformation could drive a "reimagining of what government is and how it works," says Stephen Goldsmith, director of the Innovations in American Government Program at Harvard's Kennedy School of Government, in a 2014 report for the Manhattan Institute. But that new technology must be complemented by the right leadership in order to work.

Digital technology offers Public Sector organizations an opportunity to operate more efficiently, offer improved products and services, and ultimately better serve citizens—but capitalizing on this opportunity will require leaders to upskill its workforce, remake processes, develop diversity, and attract and retain talent.

Meet the Digital Winners

Oxford Economics identified a set of capabilities and practices that define the best-managed organizations across industries; we call these stand-out organizations Digital Winners. Multiple factors set them apart, including their strategic decision-making methods, focus on digital transformation, employee development initiatives, and organizational culture. Our analysis, built on the assessments of individual executives who rated the skills and strategies of management across their organizations, shows that Digital Winners have executives who are better prepared for the digital economy.

There are real benefits to being a Digital Winner. These organizations:

- have employees who are more satisfied (87% vs. 63% of others) and more likely to stay in their jobs if given the chance to leave (75% vs. 54%); and
- have more mature strategies and programs for hiring skilled talent (85% vs. 64%), building diversity (56%, vs. 48%), and succession planning (72% vs. 50%).

At the vast majority of organizations surveyed, digital transformation is just beginning. Only 12% of Public Sector organizations qualify as Digital Winners—one of the lowest industry ratings in our survey, and below the overall sample percentage of 16%. Systemic change starts with individual action; to become Digital Winners, organizations should focus on the skills of their executives and the culture they create—and make sure incremental progress in these areas maps back to an overall digital strategy.

How executives drive digital transformation

Embrace digital technologies
- Execute on a company-wide digital vision
- Embed technology in all aspects of the organization

Streamline decision making
- Make data-driven decisions in real time
- Distribute decision-making across the organization

Flatten the organization
- Focus on reducing complexity and bureaucracy
- Offer the latest technology to all employees

Build a digital workforce
- Improve digital proficiency among managers and employees
- Emphasize transformation readiness and strategic use of technology

Embrace digital technologies

Streamline decision making

Flatten the organization

Build a digital workforce

DIGITAL WINNERS

Creating a digital organization

Digital organizations are able to make smart, informed decisions—quickly and as close to the point of impact as possible. This is even more important for Public Sector organizations, as those decisions and their outcomes can have a meaningful effect on citizens.
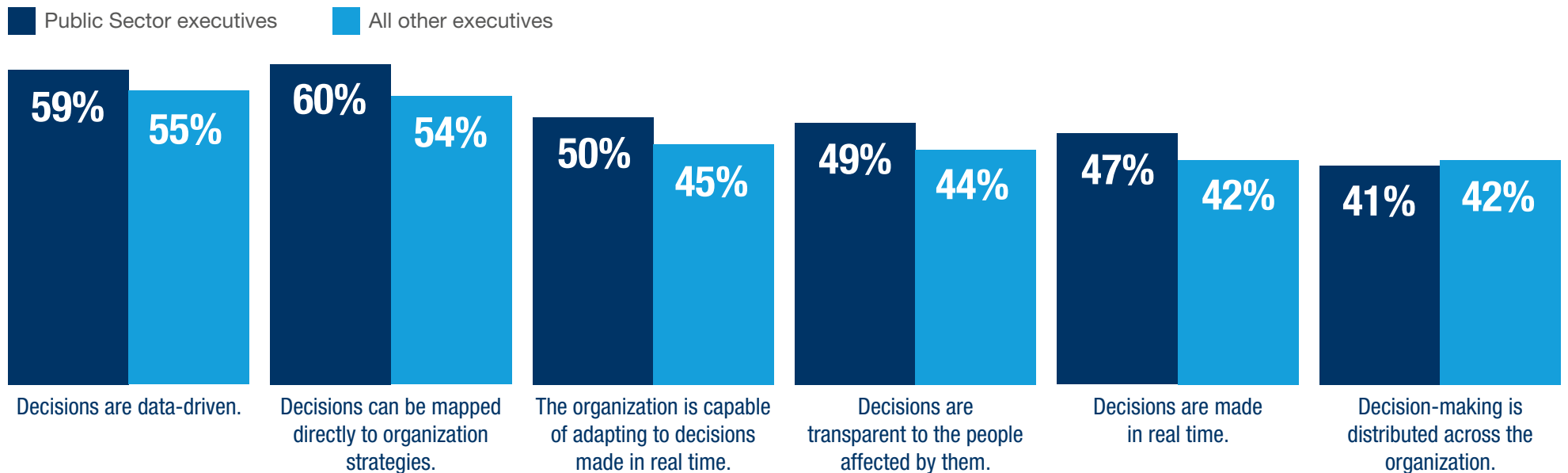
Decision-making is a strength for the Public Sector. Executives and employees (59% and 67%, respectively) say their organization's decisions are driven by data, more than any industry but technology. Public Sector respondents also are more likely to say decisions are mapped to an organization-wide strategy, although confidence varies across regions: Public Sector executives in Latin America and the Asia Pacific region are more likely to say their organizations are making data-driven decisions, while those in North America and Europe are more capable of tying decisions back to strategy.

Yet, like their counterparts in the private sector, Public Sector leaders lack the full range of skills needed for digital transformation to succeed—and they seem to overestimate their own abilities, which could be detrimental to developing the leadership skills they need. While two-thirds of executives say senior managers in their organization are proficient in digital transformation readiness, employees are less impressed: 56% say executives are ready for digital transformation and only 41% say the bosses use technology for competitive advantage.

More could be done to fix these problems. Over the next three years, the Public Sector is less likely than private-sector industries to say digital proficiency will be a focus for improvement. Southeast Asia is furthest behind in this regard; just 46% in the region say they are focused on improving digital proficiency, compared with 63% around the world. To become Digital Winners, Public Sector organizations must shift their thinking and prioritize manager skills training. Doing so will be critical to operating efficiently and offering the highest-quality services to citizens.

Data drives Public Sector decisions

Q: At the senior level, how are decisions made in your organization? *"Most of the time" and "All of the time" responses*

■ Public Sector executives　　■ All other executives

	Public Sector executives	All other executives
Decisions are data-driven.	59%	55%
Decisions can be mapped directly to organization strategies.	60%	54%
The organization is capable of adapting to decisions made in real time.	50%	45%
Decisions are transparent to the people affected by them.	49%	44%
Decisions are made in real time.	47%	42%
Decision-making is distributed across the organization.	41%	42%

The diversity imperative

Diversity matters in a complex global society—perhaps especially so for Public Sector organizations, which exist to serve entire populations and to represent a broad range of constituents' interests. Public Sector organizations have taken some meaningful steps to promote diversity: executives and employees are roughly as likely to say that diversity among the general workforce and mid-management has increased, and that diversity has had a positive impact on their work culture (53% of Public Sector executives, vs. 49% of others). Although numbers are directional due to a small sample, larger Public Sector organizations stand out in this area, with over 70% of organizations with more than 10,000 employees saying that their culture has improved due to diversity change.

But there remains work to do on this front. Just 29% of executives say there has been major growth in diversity at the senior leadership and board level—lower than many private-sector industries. Public Sector executives from North America report the least progress in this realm, with only 16% saying there has been significant change at the senior level. For the most part, the Public Sector does OK on diversity, but OK is not good enough.

Increasing diversity needs to be an organization-wide priority. Digital Winners not only have more diverse operations, they link diversity to high performance and happier, more productive employees—another area that will be critical to success.

Diversity challenges remain

Q: To what extent do you agree with the following statements? *"Agree" and "Strongly agree" responses*

- Public Sector executives
- All other executives
- Public Sector employees
- All other employees

	Statement	
53% (Public Sector executives) / 49% (All other executives)	Diversity in our organization has had a positive impact on our culture.	46% (Public Sector employees) / 47% (All other employees)
51% (Public Sector executives) / 49% (All other executives)	Our leadership recognizes the importance of diversity and has taken steps to develop it in the organization.	60% (Public Sector employees) / 55% (All other employees)
34% (Public Sector executives) / 30% (All other executives)	Diversity in our organization has had a positive impact on financial performance.	33% (Public Sector employees) / 32% (All other employees)

Give the people what they want

The most effective organizations in our survey have happier, more loyal employees than their peers, but the Public Sector lags in this area. Public Sector employees are more likely than those in any other sector to say manager quality is a significant driver of job satisfaction, yet only 50% say their manager is committed to developing talent, and only 57% say their manager is able to inspire and motivate employees. Public Sector employees are also more likely to say that compensation and bonuses are the biggest factors driving job satisfaction, but only 54% say their organizations offer these benefits now.

Public Sector employees are relatively satisfied with their jobs and are more likely to say they would stay at their organization if offered a similar position elsewhere; one reason for this might be the traditional job security associated Public Sector employment. But this could change if leaders at Public Sector organizations do not do more to offer the right benefits, opportunities, and culture.

Attracting and retaining talent will be especially critical as current workers retire and Millennials—and even Gen Z individuals—account for a larger share of the workforce. But our survey reveals a disconnect between Public Sector organizations and Millennials. Younger executives from our survey prioritize working

for technologically advanced, high-performing organizations. Yet the Public Sector is not delivering on these preferences; along with the healthcare industry, these employees are least likely to say their organizations offer these benefits to employees.

Part of the problem is that technologically-advanced workplaces are not a high priority for Public Sector workers in general. They are the least likely of any employees to say their organization helps them stay up-to-date on digital skills, and that their organization leverages the technology it has—but they are also the least likely to cite these things as drivers of their overall satisfaction. In order for Public Sector organizations to transform and become Digital Winners, there needs to be a culture shift that lets employees know how important these skills are for success.

Mike Bracken, former chief digital and chief data officer for the government of the United Kingdom, links technology issues to the larger business of digital change. "Transformation means more than fixing websites. It goes deeper than that, right into the organizations behind the websites," he says in an interview with Deloitte. "If you're redesigning a service, you need to think about the organization that runs it."

Loyalty and job satisfaction are critical to long-term success

Q: If you were offered a similar position for comparable pay at a different organization near where you work now, how likely would you be to change jobs? *"Unlikely" and "Highly unlikely" responses*
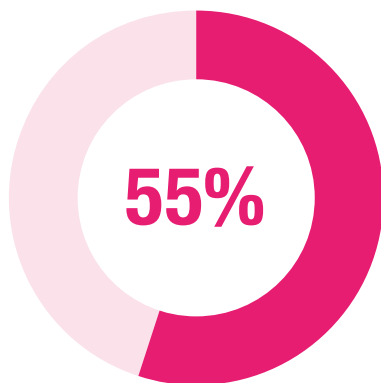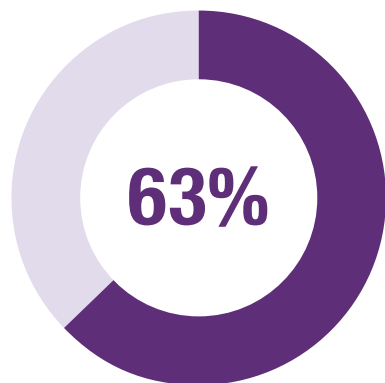
Q: How satisfied are you with your job overall? *"Satisfied" and "Very satisfied" responses*

■ Public Sector employees
■ All other employees

63% 55%   71% 65%
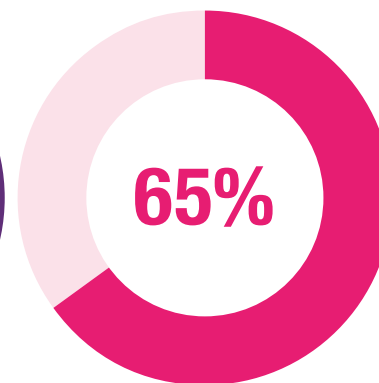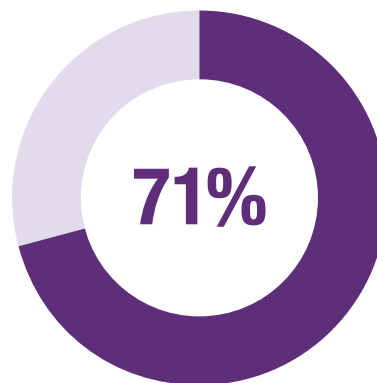
Conclusion

Becoming a Digital Winner is a daunting mission for any organization, and the Public Sector faces some unique challenges. Public Sector organizations have set budgets that fluctuate according to stimuli beyond their control, so investing in training and technology is seen as a risk. But our study shows that the risk reaps quantifiable rewards.

Without digitally proficient managers and a culture of technological prowess, Public Sector organizations will continue to lose skilled workers to higher-paying private-sector jobs. Working in the Public Sector offers at least one distinct advantage: employees have the opportunity to contribute to the betterment of society and make meaningful changes in the lives of citizens. How can the Public Sector build on its natural advantages to make the most of digital technology and attract the next generation of leaders?

- **Leverage your strengths.** By nature, Public Sector organizations have a lot of data at their disposal. Leaders should focus on advanced analytics to help them increase program effectiveness.

- **Look like your customers.** The Public Sector serves citizens from all walks of life, and needs to reflect that in its workforce (including the senior ranks) to send a top-down cultural message to the organization.

- **Listen to your employees.** Satisfied employees drive success. Providing the benefits that matter most—not just compensation—will drive productivity and reduce turnover.

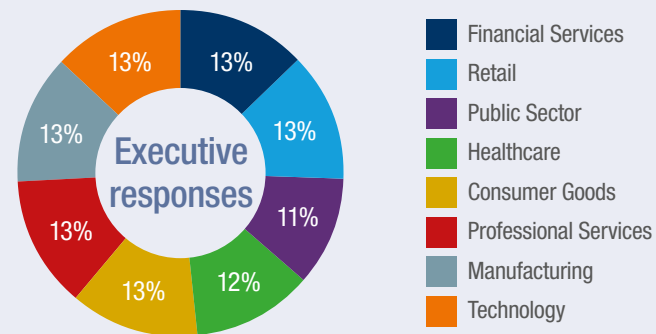To learn more, visit **www.successfactors.com**.

About the research

About 11% of respondents (224 executives; 226 employees) to our global surveys of 4,100 senior executives and non-manager employees are from the Public Sector.

Our sample of Public Sector executives and employees is distributed across the following countries: Canada, Brazil, France, United Kingdom, India, ANZ, Germany, China, Mexico, Spain, Russia, Japan, Colombia, Korea, US, Singapore, Malaysia, Thailand, Philippines, and Indonesia.

Respondents by industry

What is your organization's industry segment?

Executive responses:
- Financial Services 13%
- Retail 13%
- Public Sector 11%
- Healthcare 12%
- Consumer Goods 13%
- Professional Services 13%
- Manufacturing 13%
- Technology 13%

Employee responses:
- Financial Services 12%
- Retail 13%
- Public Sector 11%
- Healthcare 12%
- Consumer Goods 12%
- Professional Services 12%
- Manufacturing 15%
- Technology 12%

Legend:
- Financial Services
- Retail
- Public Sector
- Healthcare
- Consumer Goods
- Professional Services
- Manufacturing
- Technology

Public Sector respondents by location

In what country is your organization headquartered?

Executive responses:
- APJ 43%
- Latin America 11%
- North America 28%
- EMEA 18%

Employee responses:
- APJ 36%
- Latin America 16%
- North America 25%
- EMEA 23%

Legend:
- APJ
- Latin America
- North America
- EMEA

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