

Public Sector:

How Public Sector organizations are becoming more nimble to meet the shifting expectations of constituents



OXFORD
ECONOMICS



Introduction

The world around us is changing at a rapid pace. Powerful trends are reshaping the public sector landscape. Amid these shifts, government organizations must maintain and improve the quality of life for citizens.

It has become clear that yesterday's best practices cannot meet today's needs. Citizens expect more and trust less; they experience personalized, digital interactions with commercial companies and expect the same from government. State, local, and select federal government agencies must also increasingly improve operational capabilities to better meet their mission. Driving innovation, retaining talent, and meeting objectives requires harnessing the power of technology, reducing risk, and balancing compliance to meet community

demand. Organizations continue to adopt relevant technologies with the appropriate risk mitigation to overcome implementation obstacles.

To better understand the opportunities and challenges facing mid-sized organizations in general, and the Public Sector in particular, Oxford Economics partnered with SAP to survey 2,100 mid-sized organizations (less than 5,000 employees)—175 of which work specifically in state (23), local (47), or federal government (105).

Focus on innovation and minimizing risks to meet the mission

Citizens' expectations are changing toward digital delivery with physical outcomes—they expect their government to provide quality services, that keep up with market standards, while continuing to safely manage taxpayers' money. As the Public Sector moves to meet these changing expectations—it is not surprising that when asked about top priorities over the next few years, innovation (43%) and minimizing risk (42%) are at the top of the list. To achieve these priorities, organizations in the Public Sector are focused on improving capabilities—working to find sustainable ways to meet citizens' demands while maintaining security and equity. Almost a third (31%) of government organizations are focused on fulfilling and delivering services efficiently and on time, and 19% are looking to launch new services to improve capabilities.

Figure 1: What are your organization's top business objectives for the next two years?



Meeting ever-changing citizen expectations is not an easy feat, and the Public Sector faces roadblocks along the way. Over the next two years, they see talent and macroeconomic issues (in the form of budget constraints) presenting the greatest risk to achieving their missions. Having the right talent is key to improving capabilities, but half of government

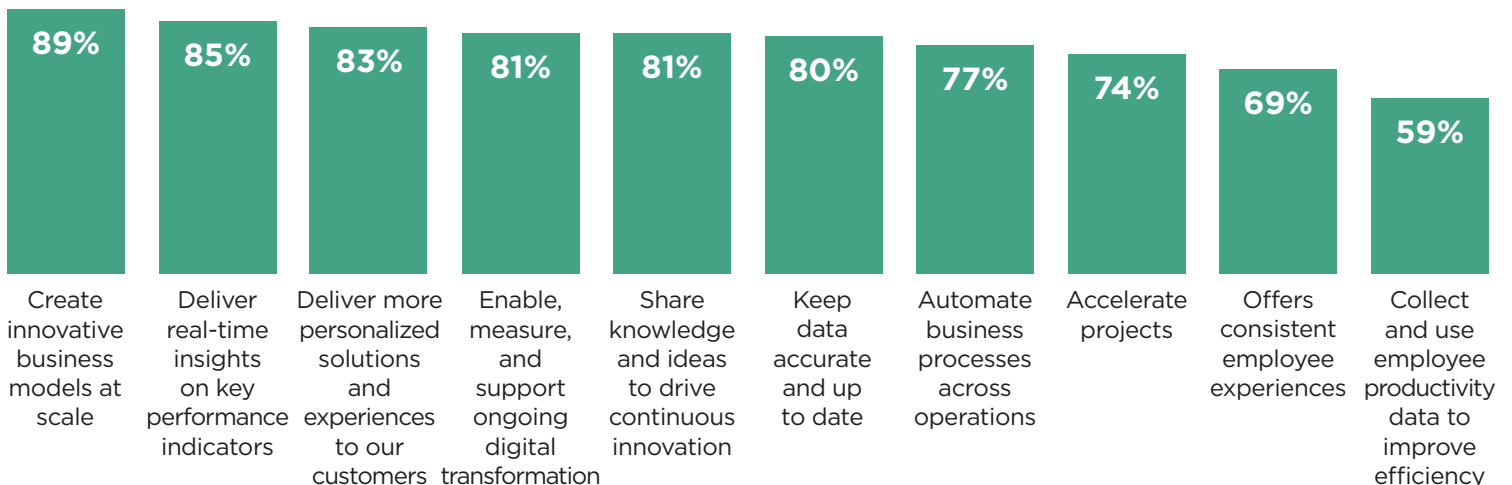
organizations say they cannot find the right talent to maintain operations, the highest of any industry surveyed (50% vs. 40% survey average). The Public Sector is also feeling pressure from macroeconomic issues (e.g., inflation, unemployment, supply chain disruptions), with 48% calling them a high area of concern.

Public Sector has difficulty deploying, scaling technology

While Public Sector organizations have identified their missions and risk areas, they struggle to effectively deploy and scale the technology needed to support them. Nearly three in five (59%) say that the inability to scale processes and systems is negatively impacting their organization's ability to execute, and almost half (46%) recognize the negative impacts of IT infrastructure challenges on their ability to deploy new business models. The Public Sector is not alone in their worries about IT challenges—their greatest negative impacts on ability to scale and deploy new business models align with total survey results. But they are significantly more worried than other industries about the negative impacts from inaccurate forecasting leading to a loss of budget (46% vs. 30% overall).

Perhaps in part, the Public Sector struggles because organizations are behind in their adoption of cloud solutions compared to the survey average (62% vs. 73%). Respondents who have not yet shifted to the cloud may want to reconsider, since those who have made the shift enjoy distinct advantages. For example, Public Sector organizations that have adopted cloud solutions cite improved agility (46%), reduced costs (39%), and being more digitally enabled (38%) as their top realized benefits. Of those that have not adopted cloud solutions (38% of the Public Sector), 64% say risk of data breaches and 61% say cybersecurity risks are the top reasons for delays in adoption.

Figure 2: Which of the following benefits have been most significant as a result of your adoption of cloud solutions?



Beyond cloud solutions, the Public Sector lags in having technology solutions in place for data management/analytics (35% vs. 53% total) and e-commerce (14% vs. 36% total). But plans are underway to remedy those shortcomings by implementing solutions in the next 12 months (data management/analytics: 34%, e-commerce: 46%).

However, government organizations are not behind in all areas—the Public Sector is ahead of the survey total in use of sustainability software (34% vs. 24% total) and business networks (67% vs. 62% total). And they are reaping benefits, reporting the highest rates of realized significant benefits from sustainability initiatives like tracking or reducing carbon emissions.

How will you stay competitive?

“We have frequent updates to align with changing user demands and keep up with the latest technological trends.”

— CFO in India

Retaining and enabling talent

Finding and retaining the right talent to maintain operations is a persistent problem among all organizations surveyed, but especially those in the Public Sector (50% vs. 40% total). They are more likely to have trouble retaining talent when compared to other respondents (45% vs. 36% total), and difficulties hiring top talent thwart their ability to achieve their missions. Looking at talent in the Public Sector through a purely HR lens, government organizations’ efforts to keep up with larger institutions are hindered by outdated processes and ways of working (70%), insufficient opportunities for development and growth (57%), and difficulty hiring top talent (49%).

The Public Sector may be held back by these processes today, but they are taking initiatives to improve people and talent strategies,

Like other midmarket organizations, those in the Public Sector continue to integrate processes and data, working toward a unified environment that can help achieve missions and enable talent. Government organizations realize the extent that integration of processes can help them create innovative business models at scale (89% vs. 83% total), deliver real-time insights on key performance indicators (85% vs. 75% total), and deliver more personalized solutions and experiences to constituents (83% vs. 74% total). These increased capabilities are a step in the right direction to achieve the Public Sector’s missions to keep up with changing constituent expectations.

Government organizations are also open to new technologies enhancing capabilities. Organizations in the Public Sector have high hopes for AI, saying the cutting-edge technology will have significant positive impacts on services (92%) and sustainability (78%).

including offering new ways to upskill and reskill employees like coaching, mentoring, or developing dynamic teams (62%), establishing a lifelong and anytime learning culture (59%), and adopting a skills-based approach to hiring, where job candidates are hired based on quantifiable skills rather than subjective methods such as resumés (49%). Some respondents are even beginning to realize benefits from making these improvements. Most notably, 57% of Public Sector respondents have achieved accelerated skills, transformation, and agility through these actions. Public Sector organizations are confident in their abilities to define required skills based on goals (100%), identify potential skills within their talent base (97%), identify existing skills within their talent base (97%), and match learning recommendations to skills needs (92%).

Beyond new offerings, the Public Sector is investing in technology to further enable their talent pools. More than half are keen to better the employee experience by investing in employee self-service (56%) and chatbots and digital assistance (53%). And when looking to the future, the Public Sector identifies time management (47%) and reporting and analytics (40%) as their must-have HR and payroll functions to meet missions.

Even though the Public Sector is investing in, and realizing benefits from, enabling talent, the Public Sector still faces workforce management challenges with government organizations, citing workforce planning and optimization as the most significant (62% vs. 57% total). But they lag when it comes to challenges connecting HR technology to the government landscape. Two-thirds (67%) say that their organization lacks an organization-wide technology strategy (vs. 45% of the survey overall).

Conclusion

Keeping up with constituent expectations and operational efficiency are vital to Public Sector organizations' success, but to execute their missions they must understand technology and talent. Government organizations should consider the following actions to meet their missions:

Modernize for increased resilience and efficiency. Outdated processes are holding back Public Sector organizations from meeting their missions. Integrating new technologies into processes will increase efficiencies and further enable Public Sector organizations in meeting their goals.

Take the next step

■ [Discover more](#) insights from the research study.

Figure 3: To what extent does the integration of processes and data across your organization help you achieve the following business outcomes?

Offering new ways to upskill and reskill your employees like coaching, mentoring or dynamic teams

62%

Establishing a lifelong and anytime learning culture

59%

Adopting a skills-based approach to hiring, whereby job candidates are hired based on quantifiable skills rather than subjective methods such as resumés

49%

Leveraging AI to optimize learning and development processes

46%

Leveraging contingent or contract staff

46%

Leveraging internal talents to address new business challenges

30%

Harness the power of technology.

Implementing new technologies is only half the battle—Public Sector organizations need to know how to leverage innovative technology capabilities for increased agility and scale. Public sector organizations that are integrating technologies through a sound ecosystem are realizing the benefits.

Enable talent through tech and training.

Talent is key to meeting the Public Sector's missions—without empowered talent, government organizations are unable to achieve operational excellence and meet constituent demands.

■ [Learn how](#) SAP can help you put your strategy into practice.