

Innovating for growth

Global IT performance survey 2011
Government and public sector report

About the survey

In the second half of 2010, Ernst & Young carried out a worldwide survey of chief information officers (CIOs), chief technology officers (CTOs) and IT directors (or equivalent), C-suite, executive and board directors, from a variety of organizations across a wide selection of industries and sectors, including the government and public sector.

The respondents were asked a range of questions on the role and performance of the IT function in relation to the changing economic environment.

A total of 869 telephone interviews were conducted in 15 countries. There were 40 worldwide participants from the government and public sector. The majority belong to organizations with annual budgets under US\$5 billion, and a third have over 10,000 employees. 18 of the respondents are at CIO level, 12 are government executives and 10 are non-executives.

Where data do not sum to 100% this may be due to rounding, multiple responses or exclusion of "not stated" responses.

Introduction

Competing in the “new normal”

Governments around the world are confronted by the harsh realities of deficit reduction and continued structural pressures, as well as with the growing demand for better quality in the delivery of public services. The global recession left many developed countries with falling tax revenues and rising expenses. Emerging countries did not experience the dislocations of the financial crisis, but they did face the need to develop infrastructure, educational institutions and social safety nets for their fast-growing middle classes.

Grappling with this new age of austerity will be difficult, but it is also an opportunity to start afresh, to innovate and to improve. In a context where the public administration is required to do more with less, IT can act as a key driver for change in the way governments deal with their organization (government-to-government), with enterprises (government-to-enterprise) and with citizens (government-to-citizen). For example, one of the challenges relates to finding a way of communicating and exchanging the vast amount of information possessed by governments. This body of knowledge holds vast efficiency and effectiveness gains waiting to be unlocked by the right idea and the appropriate technology.

Furthermore, there is much scope for the government to harness IT to generate innovative solutions that produce public value, making the most of the significant spread and use of forms of IT in the everyday lives of citizens.

In summary, IT is a key partner to governments - although it is also important that the advantages of such an approach are balanced with the crucial risks that they carry with them: the privacy and the security of the information.

The four pillars of the government and public sector performance agenda

Given the context described above, four key pillars may be identified that can drive the performance agenda of governments and within which IT has an important role to play:

1. Increasing stakeholder confidence (e.g., through greater accountability and transparency)
2. Maximizing cost effectiveness (e.g., through the improvement of financial management skills)
3. Improving operational agility (e.g., by generating innovative responses to organizational challenges)
4. Shifting to citizen-centric government (e.g., improving service delivery as well as government-to-enterprise and government-to-citizen communication and interaction and making the most of IT's innovative potential to generate public value for citizens)

The findings of the survey are structured according to these four pillars.

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Executive summary

- ▶ IT is in great demand to help public organizations improve their communications and compliance on policies and strategies being adopted, thereby placing greater emphasis on transparency and accountability.
- ▶ 63% of public sector respondents believe IT has been lagging behind the needs of the organization – more than any other sector.
- ▶ The IT function has demonstrated less effective budget planning and control skills than in other sectors – 65% feel it should improve its ability in this area.
- ▶ 73% of respondents from the public sector say that new work patterns (e.g., working from home, using remote activities, the rise of the paperless office) are changing their IT requirements – much more than in other sectors.
- ▶ Government and public organizations are far more likely to outsource IT, which has led to considerable skills loss. And 63% feel IT departments in this sector should improve their contract management skills.
- ▶ The public sector is placing a particularly strong emphasis upon mobile technology and home working in the future.
- ▶ There is much scope for the IT function to take on an increasingly important role in generating innovative ways of producing public value.

Unfulfilled potential

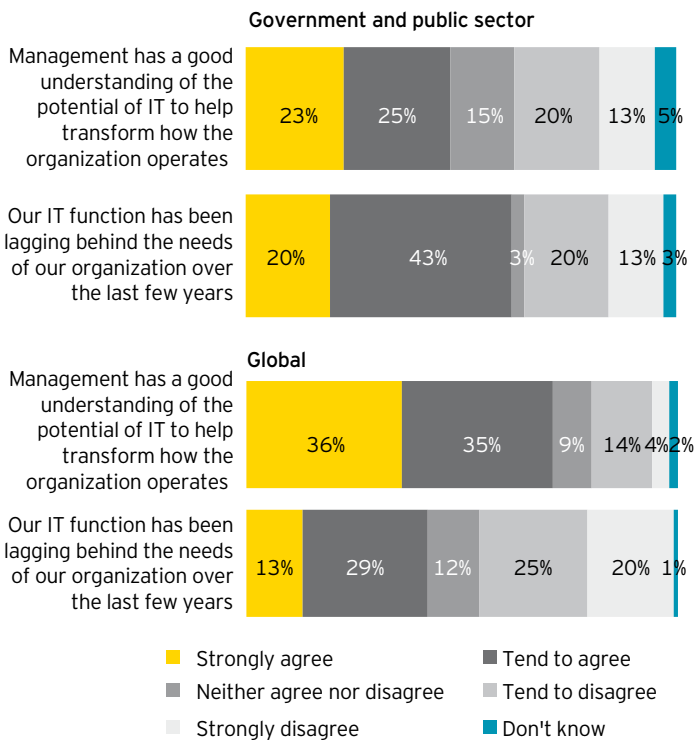
Only 48% of public sector respondents feel their management understands IT's potential to transform the organization.

Despite the relatively high status of CIOs, IT in the public sector is not sufficiently meeting the needs of the organization.

The survey suggests that IT could do more to help drive government and public bodies forward. 63% of respondents from this sector feel their IT function has been lagging behind the needs of the organization - a worse figure than any other sector.

One possible explanation for this poor performance is a lack of opportunity, as management in the public sector has been slow to acknowledge the transformative power of IT. Only 48% feel their management understands IT's potential, compared with 71% for the survey as a whole.

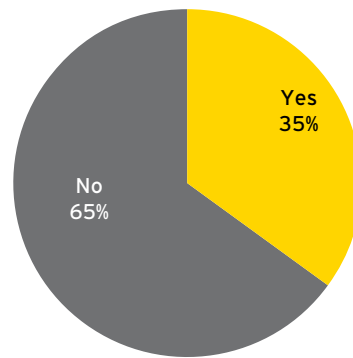
To what extent does management understand the transformative power of IT?



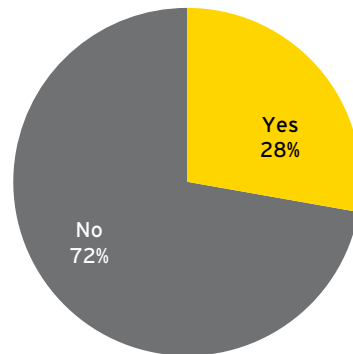
There are mixed views on the status and therefore the influence of senior IT professionals in public organizations. A healthy 35% say the CIO is an executive member, which is more than any other sector except financial services.

Is the CIO an executive member?

Government and public sector



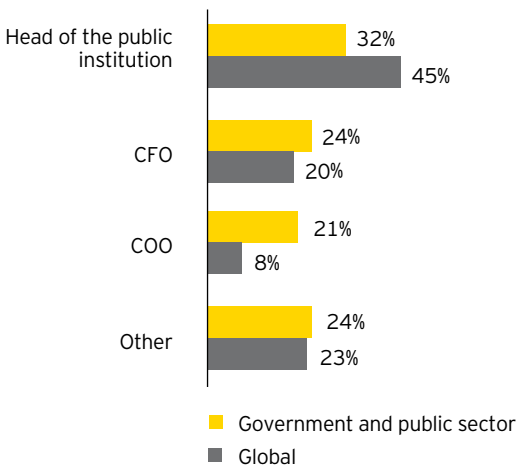
Global



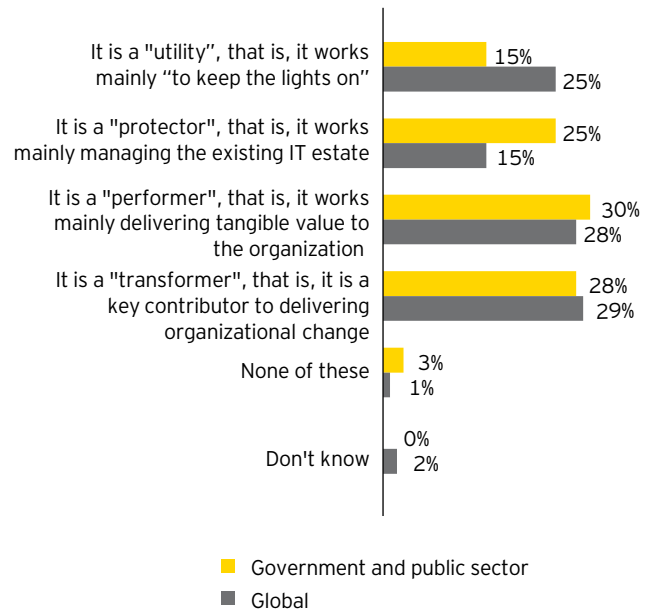
Yet, government and public sector CIOs are also reporting at a lower level than their peers in other sectors, with only a third (32%) having a direct line to the head of the public institution. In some public organizations at least, IT needs to develop a higher profile.

Nevertheless, there is clearly a latent potential for IT to innovate. Fostering innovation in government is central: new ideas should be generated (and, where appropriate, commercialized) that employ IT to improve the way government works. Indeed, the majority of public sector respondents consider their IT function to be a "transformer/performer" that could make an important contribution to organizational change. Now may just be the time for IT to start to realize this potential, matched by an effort and commitment on the part of all stakeholders involved to support the transformation of the CIO toward becoming a different type of CIO: the chief innovation officer.

Who does the CIO report to?



What stage is the IT function at?



Stakeholder confidence

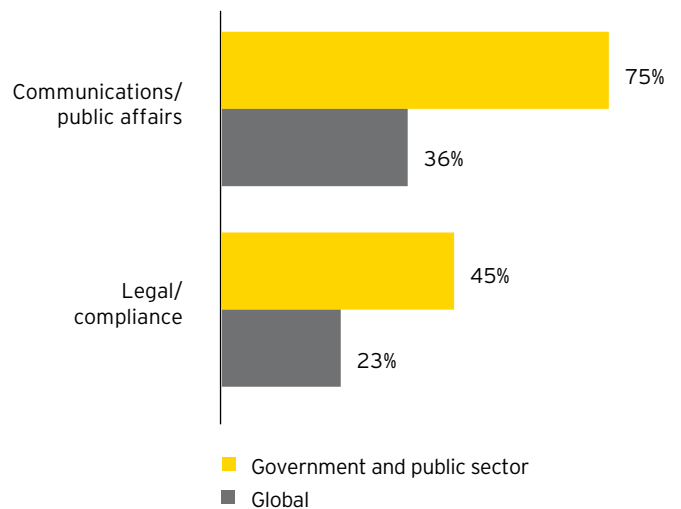
75% of respondents want innovative IT solutions to communication and public affairs challenges.

Gaining and retaining stakeholder confidence may be seen to be made up of three key steps, rooted in the principles of transparency and accountability: (i) communicating on actions and decisions; (ii) effectively executing these actions and decisions, adhering to the appropriate regulations and ethical standards; (iii) communicating on implementation and achievement of the original objectives. Therefore, there is an urgent need for IT to help public sector organizations communicate with stakeholders and manage regulatory risk.

In the face of funding cuts and restructuring activity, government and public bodies are under increasing pressure to explain and/or justify their strategies, ensuring the accountability and transparency of their actions and decisions. The survey shows that IT is in great demand to help with this process, with 75% of respondents wanting the function to provide innovative IT solutions to communications and public affairs challenges - twice as many as for the survey as a whole.

Legal and compliance issues are also a high priority for the public sector, which comes under great scrutiny to meet regulatory and ethical standards. Close to half (45%) of organizations in this sector are seeking IT support to overcome such challenges, which is again double the figure for other sectors.

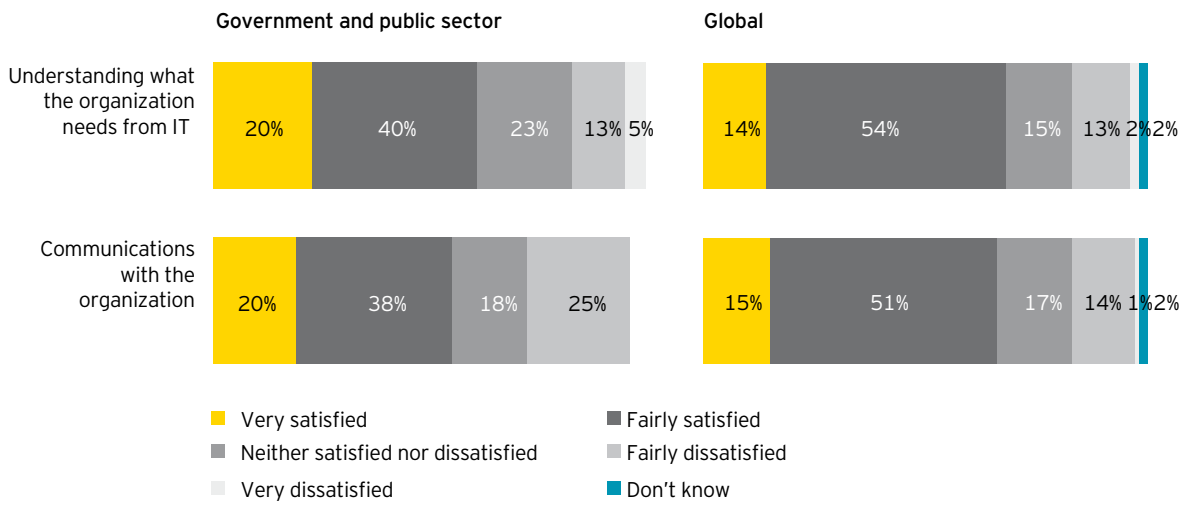
Which departments are demanding innovative IT solutions?



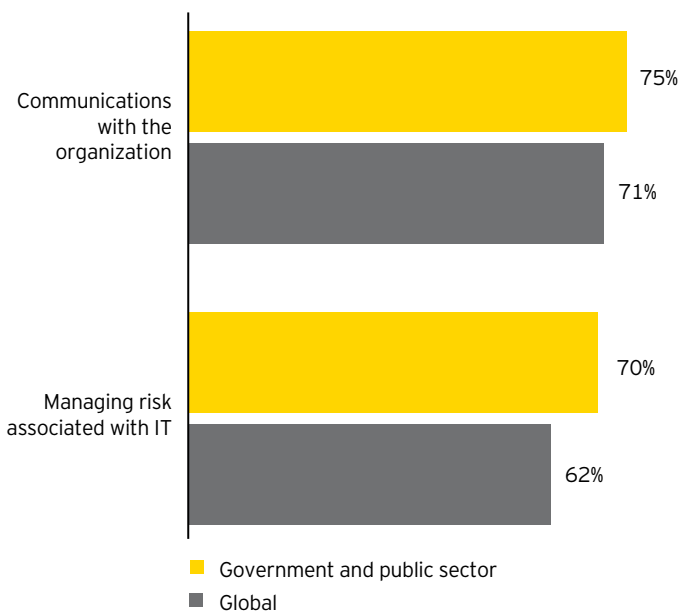
At a more specific, government-to-government communication level, IT is coping fairly well with its responsibilities, although there is some room for improvement. A majority (58%) of public sector respondents say the function communicates effectively with the organization, which is lower than the survey average. Consequently most of the executives from this sector feel IT professionals should develop their ability to communicate with the organization, and even more want IT to improve its risk management capabilities.



Level of satisfaction with IT performance



Skills required from the IT function to play a more central role



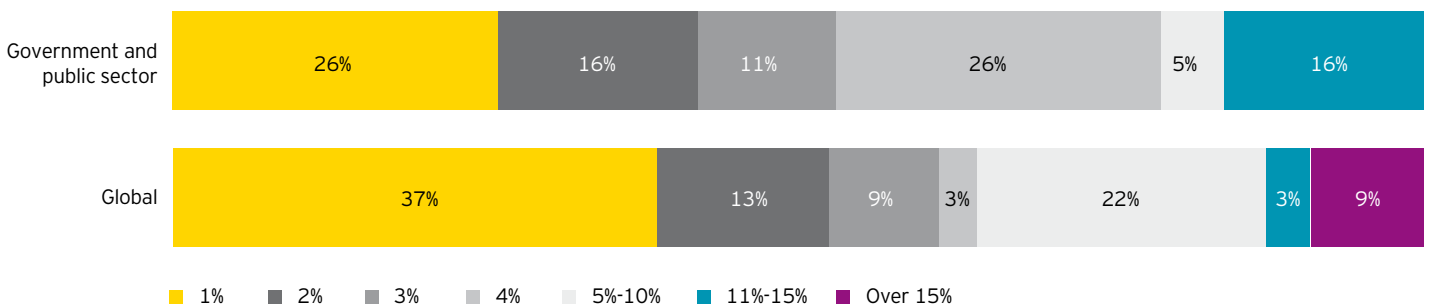
Cost effectiveness

Public sector IT professionals are expected to improve their budget planning and control skills.

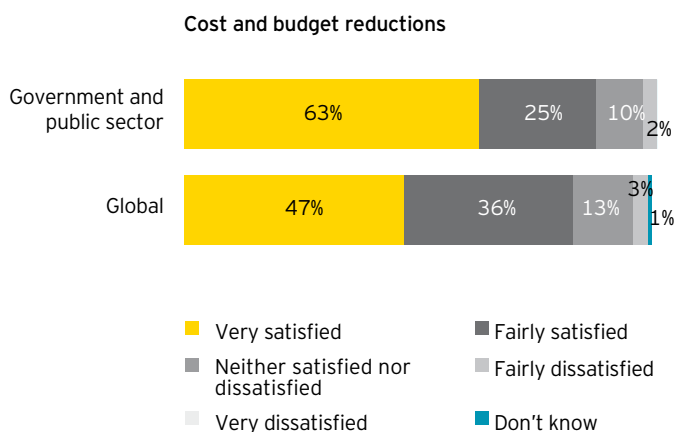
Despite severe spending cuts, IT takes up a higher than average proportion of the total organizational budget for public sector bodies. In 16% of cases, the IT outlay is more than 10% of the total budget for the organization.

Such a large IT spend demands strong financial management skills. However, only 56% of public sector respondents are satisfied with IT's budget planning and control – lower than for any other sector involved in the research. Indeed, given the financial scrutiny that the government and public sector is under, IT should play a particularly central role in enabling cost reductions by doing more with less, as demonstrated by the fact that 63% of public sector respondents deem cost and budget reductions to be key factors driving the changing demand for IT (compared with 47% in the other sectors surveyed).

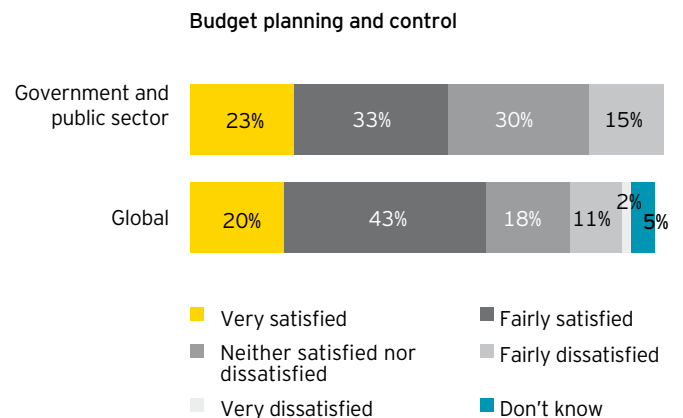
Organization's IT budget as a percentage of overall revenue



Factors driving demand for IT

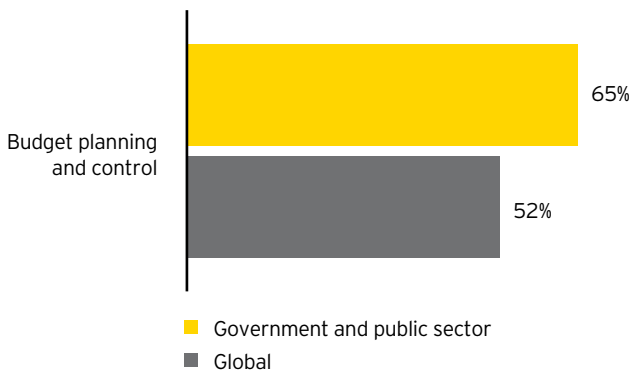


Level of satisfaction with IT performance



Given this relatively poor result, it is not that surprising that 65% of respondents want IT professionals to develop these skills in order to play a more central role in the organization.

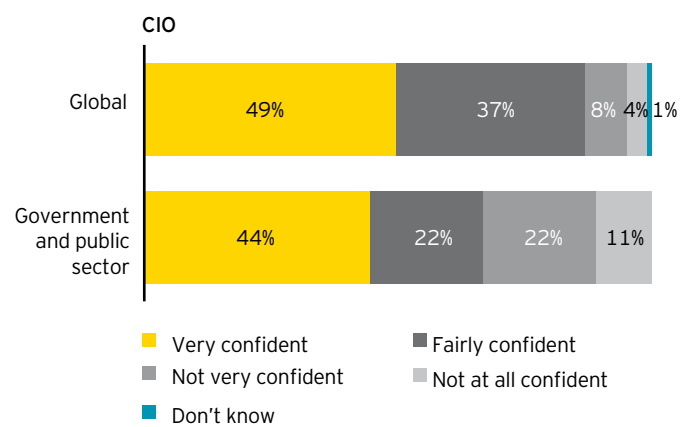
Skills required from the IT function to play a more central role



Another concern is the lack of critical analysis over IT expenditure, something common across most sectors involved in the survey. Just one in three public organizations (35%) measure the return on IT investment, which again is one of the lowest responses in the research and could cast doubts on IT’s credibility when seeking future funding. In this respect, it should also be noted that, in the case of the government and public sector, the concept of “return on investment” is not always purely quantitative, as it is linked to the impact of government activities on citizens and enterprises.

Indeed, a third (33%) of respondents from the government and public sector feel their management does not receive a full picture of IT expenditure, which again could undermine confidence in IT’s ability to manage their large budgets.

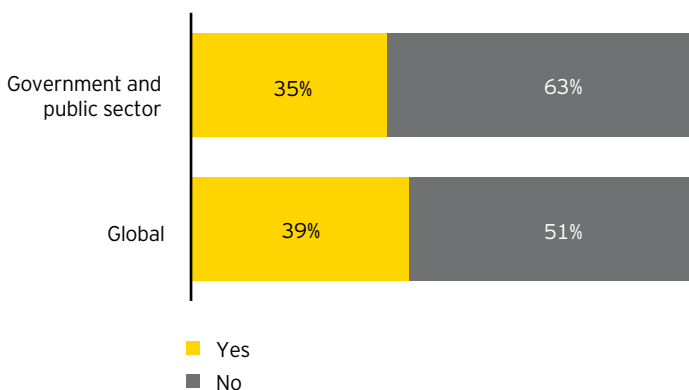
Confidence that management members receive a full picture of IT expenditure



On a positive note, 60% of public sector respondents say their organization carries out a root cause analysis on the cost drivers of IT spend; only 46% of the other sectors in the survey perform such a vital review.

Just one in three public organizations (35%) measure their return on IT investment.

Do you have measures in place to quantify return on investment in IT?



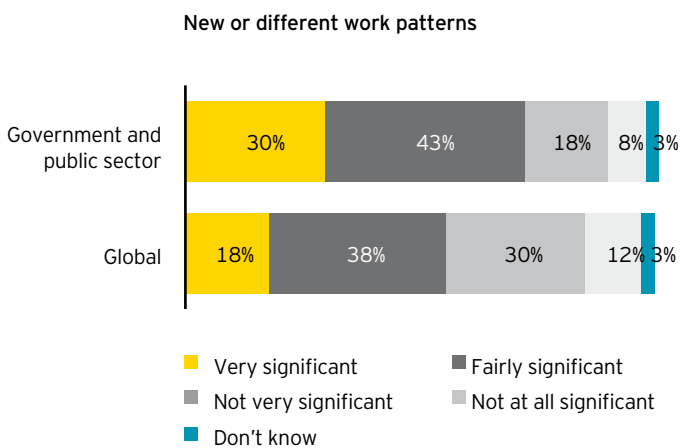
Operational agility

73% of respondents say that new or different work patterns are driving a changing demand for IT.

The respondents feel that IT could develop its skills in a number of areas in order to play a more active role in the organization (a view shared by the CIO, C-suite and non-board executives). A majority also believe the function should gain a better understanding of business needs and improve its ability to communicate.

The survey reflects the huge changes that many government and public sector bodies are undergoing. With much debate over structure and practices, 73% of respondents from this sector say that new or different work patterns (e.g., working from home, using remote activities, the rise of the paperless office) are driving a changing demand for IT, a far higher figure than for the report as a whole.

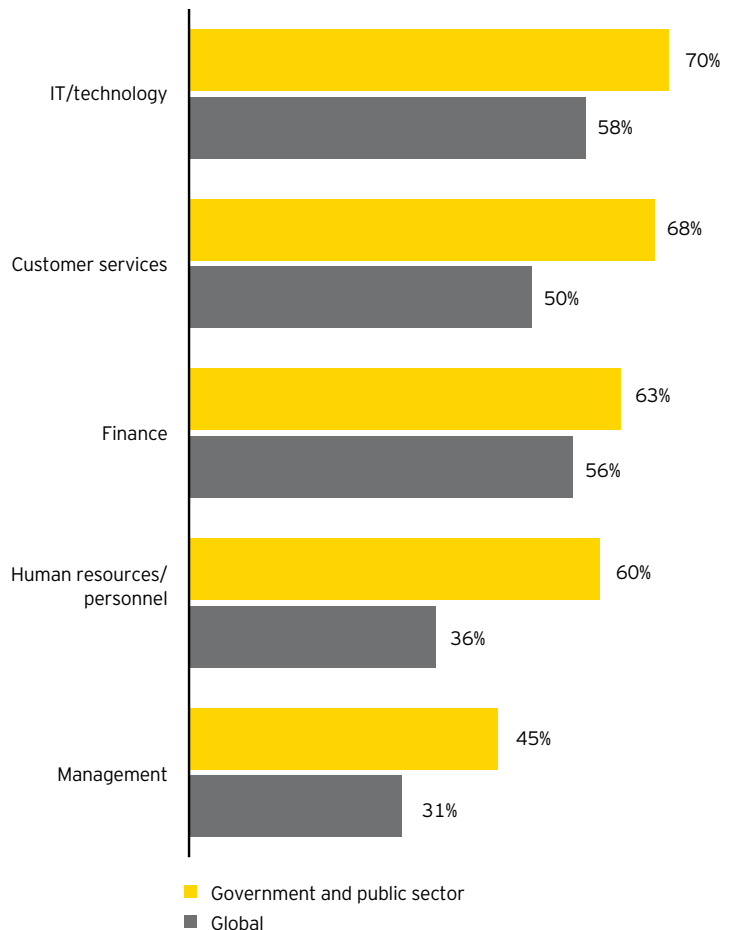
Factors driving changing demand for IT



As resources are cut back, public organizations are looking for new and creative ways to meet a rising demand for services, and many different departments want IT to help them rise to the challenge. Customer services, human resources (HR), technology and management are all seeking help. Compared to the private sector, the need for innovative IT solutions for HR is particularly high, suggesting that this area is struggling to cope with the

recruitment, training and development needs of a declining workforce. Indeed, given the high cost-reduction priorities facing the public sector, IT can be an important driver in supporting the transformation of roles and competencies and improving talent management to make the HR function more efficient.

Which departments are demanding innovative IT solutions?



To date, it appears that IT is stepping up to meet these tests, with 88% of public sector respondents claiming that the function has made a positive contribution to innovation (although a majority also feel IT should continue to develop skills in this area).

Citizen-centric government

Public sector CIOs should play a bigger role in driving change, according to the survey.

Unlike the private sector, the majority of national and local government organizations are continuing to scale back their activity as they feel the force of budget cuts. As previously mentioned, in order to do more with less, it is important to focus on making efficient use of available information and material, improving government-to-government, government-to-enterprise and government-to-citizen communication and interaction through IT.

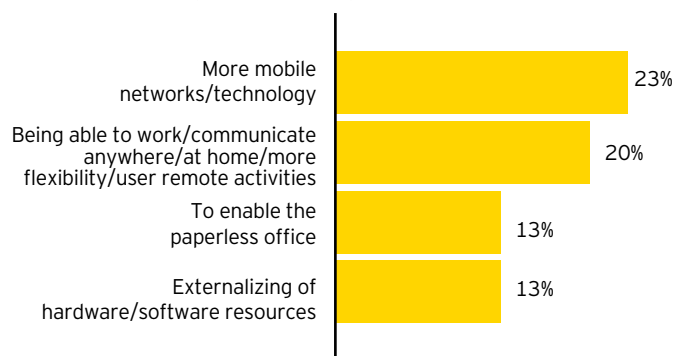
To operate in this frugal environment, IT can help the public sector become more efficient both at an internal, government-to-government level (as described in the section entitled "Operational agility") and at a government-to-citizen and enterprise level, such as by delivering initiatives like self-service and home care in health care and social services, and a general shift (where possible) to the delivery of public services through mobile and computer technologies (e-government and m-government). However, IT's potential is not being fully exploited.

We live in a world where IT is increasingly taking a central role in the everyday lives of citizens. Features such as social computing and smart mobility are on the rise and present an attractive opportunity for seeking new and innovative ways of generating public value, of understanding citizen needs and generating increasingly citizen-centric responses to these needs. Hence the need for CIOs to take on a stronger role in the field of innovation.

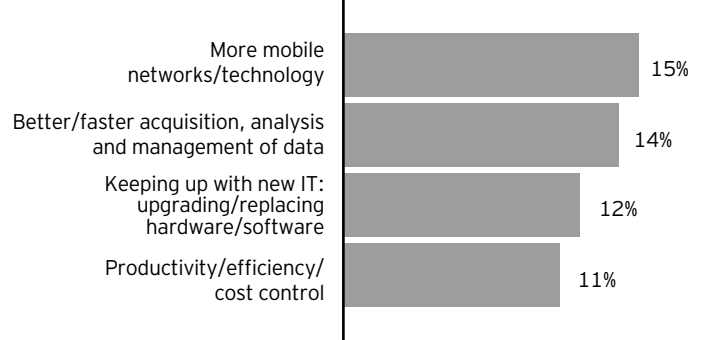
Indeed, for public sector organizations set to become more flexible, fluid and innovative in response to the need to redesign the government's role in relation to the shifting paradigm, respondents expect to see greater use of mobile technology and greater use of home working – in both cases, considerably more so than in private businesses. Interestingly, data acquisition and management did not figure as highly in the government sector, which could be a weakness and a form of untapped potential, given the vast databanks involved in serving a whole population.

Change in technology usage over the next few years

Government and public sector top four



Global top four

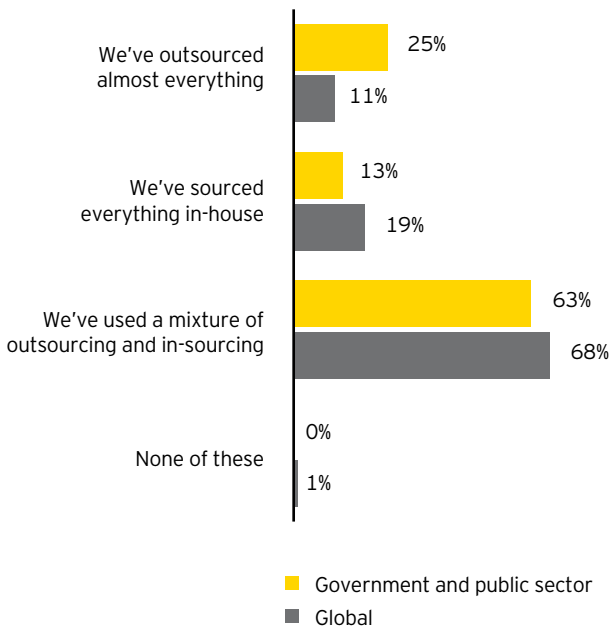


There are also some question marks over whether public organizations have sufficient technology to tackle the tasks ahead. 45% of executives from this sector claim that their own personal technology is more advanced than that of the organization (against 35% for the rest of survey). The budget reductions could become a big restraint to purchasing new technology, putting even greater pressure on IT to be innovative.

Getting the most from outsourcing

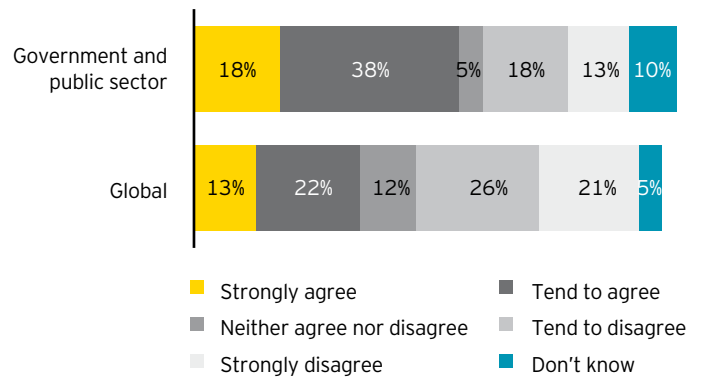
Of all the sectors in the survey, government appears to be the most committed to outsourcing, with a quarter claiming to have outsourced “almost all” their IT. Such a strategy brings with it a number of challenges, including the loss of valuable core skills. 56% of public organizations in the survey claim to have lost important IT capabilities, considerably more than other sectors.

Outsourcing versus in-house



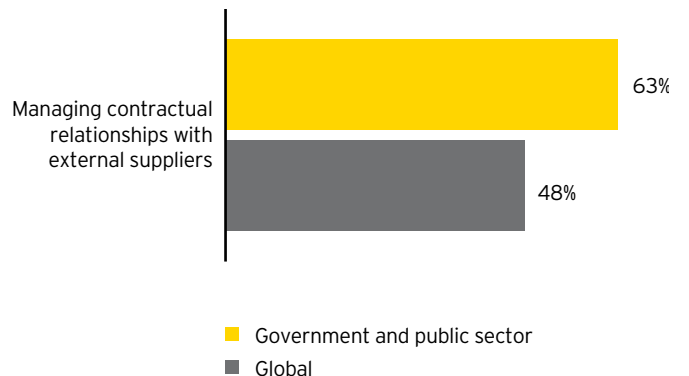
25% of public organizations say they have outsourced almost all their IT.

Outsourcing of IT has resulted in the loss of valuable skills in our remaining in-house teams



The rise in outsourcing also places a premium on strong supplier management skills, and the responses suggest that IT has some way to go in this respect. Government and public sector contracts can be sizeable, so it is of some concern that 63% feel that IT has to improve its ability to manage contractual relationships, which is again higher than the figure for other sectors.

Skills required from the IT function to play a more central role



Developing the IT function in order to improve its support to outsourcing is also in the interest of generating citizen-centric services: by making it increasingly possible and effective to tap into private sector experience and knowledge, opportunities arise to innovate within the public sphere and generate increased public value for citizens.



Conclusion: future steps

Public sector organizations have high expectations of their IT function as they strive to meet tough demands equipped with diminishing resources. To step up to the challenge, IT should seek to gain greater influence to achieve the following:

Stakeholder confidence

Gain and retain stakeholder confidence by following three key steps, rooted in the principles of transparency and accountability:

- ▶ Communicating on actions and decisions.
- ▶ Effectively executing these actions and decisions, adhering to the appropriate regulations and ethical standards.
- ▶ Communicating on implementation and achievement of the original objectives.

Cost effectiveness

- ▶ Develop better budgeting and financial planning skills.
- ▶ Play a central role in enabling necessary cost reductions by doing more with less.
- ▶ Introduce processes for measuring return on IT expenditure where this is possible.

Operational agility

- ▶ Seek creative ways to support organizational restructuring, especially regarding new work practices.
- ▶ Make the most of available ICT tools capable of supporting public sector staff through modern methods of working and collaboration. This includes focusing on mobile technology to enable staff to work remotely and building a strong business case for such practices.
- ▶ Increase training and development to compensate for talent loss; with a strong emphasis on supplier management skills.

Citizen-centric government

- ▶ Improve government agility through ICT, so as to enable a swifter response to changing needs.
- ▶ Given the increasingly central role played by IT in the lives of citizens, IT should support government in seizing the opportunity for seeking new and innovative ways of generating public value, of understanding citizen needs and generating increasingly citizen-centric responses to these needs.
- ▶ Focus on e-government and m-government for the delivery of public services in order to deliver better services and outcomes to the community and to meet the challenge of having to do more with less.

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