Government Perspective on Global C-suite Study Findings

The IBM Institute for Business Value, in cooperation with Oxford Economics, interviewed 1,002 Government CxOs, including executives from central, regional, or state and local governments. These conversations included both quantitative and qualitative responses. The analytical basis for this Government industry report uses 965 valid responses from the total data sample collected.

More than 12,800 CxOs, representing six C-suite roles, 20 industries and 122 countries, contributed to our latest research. We used the IBM Watson Natural Language Classifier to analyze their contextual responses and ascertain overarching themes. We also used various statistical methods, including cluster analysis and discriminant analysis, to scrutinize the millions of data points we collected.

Which way to the future?

The pace of change over the past decade has been truly remarkable. Digital technologies, demographic shifts and geopolitical instability have created a "perfect storm," collectively disrupting industries, markets and entire societies. They have also affected our daily lives – and how we interact, both with organizations and with each another. So it's hardly surprising that the world's top executives are struggling to see what the future holds.

Government CxOs are no exception. In 2015, they envisioned that open innovation would predominate. Today, the pendulum has swung the other way, with 49 percent predicting that internal innovation will prevail. And though the majority of respondents remain convinced that the trend toward networking will continue, that majority is far smaller than before. Only 48 percent of Government CxOs anticipate that most organizations will partner more widely to expand their business ecosystems – down from 79 percent three years ago.

Government CxOs also report that there's been a major alteration in the external factors most likely to influence their organizations over the next few years. In our previous Global C-suite Study, technological advances topped their list of concerns. Now, technology has dropped to fifth place. Meanwhile, budgetary pressures and people skills have risen to the fore, as demands on the public purse increase dramatically and the struggle to recruit, retain and maintain talent becomes ever more difficult.

Reinventors race ahead

In the course of our research, we identified three distinct organizational "archetypes," each at a different stage on the road to Digital Reinvention™ (see Figure 1).

Reinventors focus on developing breakthrough products, services and business models; excel at extracting value from their ecosystems; and actively experiment. Their IT strategies are aligned with their commercial goals, and they're superb at managing change – all of which helps them stand out both financially and as innovators.

Practitioners are ambitious but haven't yet acquired the capabilities required to realize their ambitions. They're neither as focused nor as agile as Reinventors.

Aspirationals have even further to go. They still need to devise a clear strategy, put the right processes and resources in place, and develop the agility to seize new opportunities.

Reading the road signs

So what's actually going on? Our conversations with CxOs and our work with academics uncovered three topics that are particularly pertinent to governments:

Wired for a changing world

The path to personalization

Innovation in motion.

"We need to stop counting heads and micro-managing people. We should be focusing on the skills people possess – what's *in* those heads – and trusting them more. "

Chief Human Resources Officer, Government, Sweden

Figure 1

Government split

Government Reinventors have distinct characteristics that result in differing vantage points

23%	Reinventors
28%	Practitioners
49%	Aspirationals
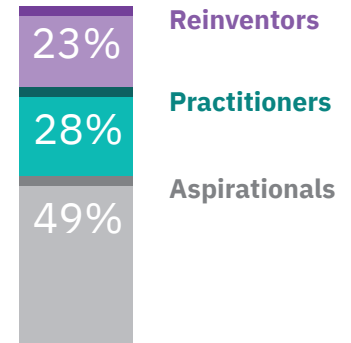
Wired for a changing world

We're living in a disruptive digital age, as CxOs in every sphere of activity recognize. But Government CxOs indicate that they're experiencing much less disruption than their counterparts in the private sector. Only 9 percent say the government industry is experiencing significant disruption, and only 11 percent claim they urgently need to transform their organizations in response.

Even so, Government CxOs know they face considerable problems. Their top priorities are economic and fiscal: boosting productivity, creating new jobs, controlling public spending and curbing ballooning deficits. However, 36 percent of Government respondents also want to improve the quality of the services they deliver, while 30 percent worry about cybersecurity and 31 percent about making their operations more transparent.

The challenge is that most government agencies aren't prepared to tackle these issues. Only a third of the executives we surveyed report that they have the resources and funding they need. Similarly, only 33 percent have a strategy and plan in place, and only 30 percent have the technological capabilities required to address the situation effectively. Moreover, while many respondents concede that greater investment in government would help, they say it won't be enough. Closer collaboration with the private sector and new operating models will also be crucial, as will the development of new policies and deployment of more advanced technologies.

Yet some organizations are more equal to the task than others: 63 percent of Government Reinventors have already created formal strategies for dealing with turbulence, and 58 percent have optimized their business processes to support their strategies. That's lower than the numbers in our overall sample, reflecting the fact that government organizations typically have fewer resources and less autonomy than commercial enterprises. Nonetheless, it compares very favorably with the picture in government as a whole: only 44 percent of Government Practitioners and 19 percent of Government Aspirationals have devised a plan for managing disruption, and the percentages that have synchronized their business processes with their strategic intentions are even smaller.

So Government Reinventors are better prepared for the unforeseen. They're also more confident of handling sudden shifts in direction because they've done it before: 55 percent report that they have an excellent track record of managing change, versus just 37 percent of Practitioners and 20 percent of Aspirationals.

"We want to close the gap between the public sector and private industry, and provide citizens with more customer-centric digital services."

Chief Executive Officer, Government, United States

The path to personalization

Connecting with customers and citizens on a personal level is vital these days, but designing compelling personalized experiences is very difficult; it takes a profound understanding of what makes different people tick. Again, Government Reinventors lead the way in mining data to identify customers' and citizens' unmet needs — although notably less than Reinventors in the full study sample (see Figure 2). They're also more proactive about capitalizing on technology to hunt for new clues. The number of institutions that are turning to artificial intelligence (AI) is still quite small. But it's no accident that 27 percent of Reinventors plan to invest in AI or cognitive computing, versus only 13 percent of Aspirationals.

Government Reinventors don't just trawl through yottabytes of data, though. They approach problems like design thinkers, by empathizing and engaging directly with customers/citizens at every stage from planning and design to service delivery and follow-up support. They also collaborate with other enterprises to get a better understanding of the customers/citizens they serve: 58 percent excel at leveraging third-party insights and expertise to enhance the experiences they provide (versus 48 percent of Practitioners and 23 percent of Aspirationals).

The result? A full 61 percent of Government Reinventors have mastered the ability to personalize the customer/citizen experience, whereas only 45 percent of Practitioners and 24 percent of Aspirationals can make the same claim.

Figure 2

Know now

Government Reinventors excel at using data to understand customers' and citizens' unmet needs

Reinventors
Practitioners
Aspirationals
Global

65% | 82%

50% | 62%

21% | 35%
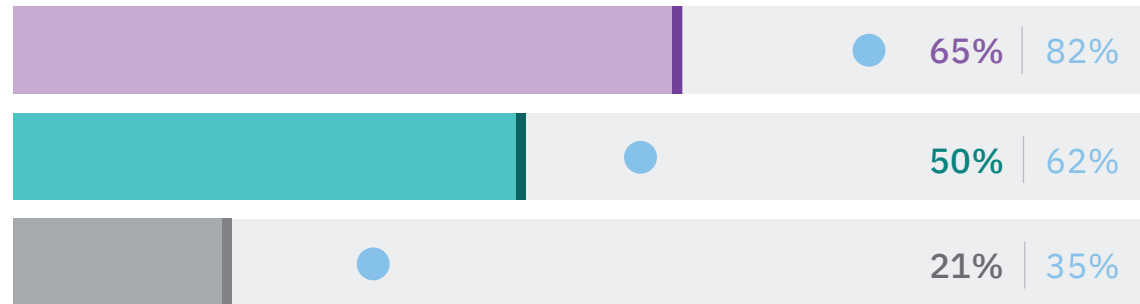
Q: How effective is your enterprise at using data to identify undefined and unmet customer needs? (Percentage of respondents choosing "effective" or "highly effective.")

Innovation in motion

The organization of work is altering dramatically as enterprises collaborate to innovate and ecosystems replace go-it-alone entities. Government Reinventors are especially well placed to adapt: 64 percent have C-suites with a strong grasp of how government is evolving (versus 56 percent of Practitioners and just 26 percent of Aspirationals). The CxOs who head these organizations are also markedly better at communicating their strategies and encouraging open, ongoing dialogue.

There's more. Many Government Reinventors are creating nimble enterprises that learn on the fly. Nearly two-thirds of them actively solicit input from employees to develop new approaches, and some have gone much further. They've established fluid, cross-functional teams to stimulate continuous learning, as well as empowering their teams to decide on the best course of action (see Figure 3).

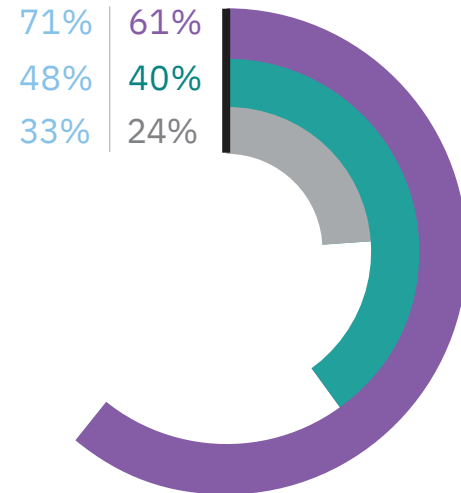## "If you want people to innovate, you have to give them permission to fail."

Chief Executive Officer, Government, Canada

Figure 3

Reinventors
Practitioners
Aspirationals
Global

Autonomous teams

Government Reinventors empower their teams to decide on the best course of action

71%	61%
48%	40%
33%	24%

Q: To what extent does your enterprise empower teams to decide on the best course of action? (Percentage of respondents choosing "to a large extent.")

Government Reinventors are, likewise, more willing to invest in continuous training to upgrade employees' skills, more proficient at building the right networks of partners, suppliers and distributors, and more open to experimentation: 56 percent reward fast failure as well as successful innovation (versus 37 percent of Practitioners and 24 percent of Aspirationals). In short, the Reinventors in our government sample combine a dynamic vision with an open culture and agile operations – and these, as our research shows, are the three stepping stones to organizational dexterity.

Strengthening advantage: Actions to take now

Reinvent your organization with agile service delivery. Create a more open and collaborative culture to stimulate innovation. Apply cloud and cognitive process automation to improve business agility. Respond rapidly to disruptions, and new waves of citizen and customer demands.

Marry data with design. Use design thinking to make sense of the data you collect to create authentic citizen and customer experiences. Bring designers and data analysts together with citizens, businesses and other ecosystem partners. Focus on what citizens and businesses want, not on what's technically feasible.

Liberate talent. Be clear and transparent. Share your organization's vision with your employees and foster an entrepreneurial culture of agile innovation. Encourage people to use their ingenuity, experiment, take risks and fail fast in the safety of the lab. Look for data scientists and digital engineers who can communicate well and are comfortable working in cross-functional teams.

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