Modernizing government: Global trends

An era of public service that is agile, digital and customer centric

KPMG International

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Introduction

The future of government has arrived — early, abruptly and without invitation. While the global pandemic magnified cracks in the workings of government such as IT, supply chain and back office limitations, it has also been a springboard for advancements in remote working, agile policy making and rapid service design.

Welcome to the new frontier — an emerging era of modern government that is customer and business centric, agile, digitally enabled and inspired for future change.

With massive sums of stimulus money being pumped into communities and economies during the pandemic, public debts are soaring to record levels. COVID-19 triggered an unprecedented global fiscal response of about US$12 trillion, according to the International Monetary Fund's 2020 Annual Report — A Year Like No Other.[1] The IMF says it has received a record number of requests for emergency aid.

Governments may understandably be tempted to offset the pandemic's overwhelming price tag with strict new fiscal restraints that are bound to limit inevitable future investment in technology, new talent, 21st century digital services and economic growth. As governments move quickly to manage the looming debt burden, civil services will of course be under new pressure to *do more with less*.

Building on today's momentum

Successfully navigating the debt journey ahead will likely require governments to abandon traditional thinking. They should wisely replace the typical reliance on program cuts and funding restraints with the pursuit of new opportunities for programs, investments and innovations that underpin sustained economic growth and advancement — generating research and development, capital investment, employment opportunities, vital tax revenues and more.

Forward-looking governments are already pivoting their focus toward innovative initiatives and agile regulations that are designed to give them a much deeper role as economic stewards — working in closer partnership with private industry to grow their economies out of debt and enhance future prosperity. Speed to execution, stewardship and impact are the fundamentals of a modern agile government.

Investment in revolutionary technologies, platforms, systems and processes — ultimately reshaping

governments into a newly responsive, cost-efficient, customer-centered model — is the inevitable way forward. For the purposes of this report, please note that the term 'customers' is used to refer collectively to all government constituents: citizens, businesses and other stakeholders interacting with government as 'customers'. Digitalization will play a critical role in resolving the future debt dynamic while positioning governments to catch up to our society's ever-evolving needs and expectations.

According to Forrester Consulting research commissioned by KPMG, nearly eight out of 10 government organizations say they are putting customer centricity front-and-center.[2] Twenty-nine percent of government decision makers surveyed count their customer-centric strategy as a top priority, while 46 percent are making it a high priority.

We believe that reliance on robust business cases, costly and time-consuming planning, and extensive program "big builds" is now poised to give way to a new model built on digital technology, cloud

platforms, collaboration with other governments, new partnerships with industry, and customer centricity — supported by new and upskilled civil servants — ultimately revolutionizing how governments function in the 21st-century public interest.

Through this timely KPMG report, we examine the limitations of the status quo and the promise that digital transformation holds to shape modern government that's fully connected, agile, responsive and built to put its customers at the center of everything it does. The pandemic has given the world — and governments themselves — an unexpected but highly revealing glimpse of what's possible.

Forward-looking governments are already leveraging the momentum they have created for themselves during the pandemic, seizing an unanticipated 'golden opportunity' for historic innovation.

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The future is customer centered

Transforming public services to meet constituent needs and expectations

Today's consumers are more informed, connected and demanding than ever. And while they have come to expect the highest standards of personalization, choice, speed, satisfaction and security in every digital interaction, the pandemic has served to heighten consumer expectations surrounding CX — customer experience.

KPMG's 2020 Global Customer Experience Excellence survey of more than 100,000 consumers illustrates the pandemic's influence on customer loyalty, expectations and experience[3]:

— Consumer priorities have shifted to health and safety, understandably, but also toward heightened *convenience, reliability, authenticity* and *transparency*.
— Forty-five percent of consumers say digital channels will be their primary means of engaging future services.
— Consumers favoring face-to-face commercial services fell to about 20 percent since the pandemic struck — down by half from about 43 percent previously.

Government CX quality continues to trail the private sector. Forrester's Customer Experience Index (CX Index™) shows that government provides poorer CX than virtually every private-sector industry.[4] Going forward, the public will increasingly look to governments for a modernized approach that delivers the fast, convenient, secure, personalized, consumer-centric services that are revolutionizing every corner of commerce today. Governments' stakeholders want to be treated like valued customers when interacting with government. Various surveys reflect these paradigm shifts in attitude.

Historic opportunities amid today's challenges

Governments, despite their stated good intentions for change in the digital era, have considerable ground to cover in their journey to match the private sector's embrace of digital ecosystems that cater to customers. Findings of the Forrester Customer Experience Index (CX Index™) suggest that government departments around the world still struggle with substandard customer experience which hinders mission success.[5] And in a KPMG-commissioned study conducted by Forrester Consulting, more than half of government organizations themselves rate their customer-centric capabilities as average at best: 16 percent call them "less mature" and about 42 percent rate their customer centricity as "about average."[6]

At the same time, insights from Forrester[7] and from the global KPMG organization reflect that governments will continue to slowly centralize CX governance, with three current trends ongoing over the next few years:

— More governments will create some form of Chief Customer or Experience Officer, charged with overseeing improvement of the customer experience;
— More policy makers will follow the lead of the Australian Government's Digital Transformation Agency, Treasury Board of Canada and the US Office of Management and Budget[8] and issue stronger CX-related requirements for government departments;
— Governments are expected to pass more CX-related bills containing mandates related to enhanced service standards, technology, monitoring and reporting.

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> The future of public sector policy will likely be driven by underlying socioeconomic objectives for the citizenry. **"**
>
> **Mun-gu Park**
> Digital Transformation Center of Excellence
> KPMG in South Korea

"To achieve citizen-centric transformation, public sector workforces will need to be supported with the appropriate training and toolsets," says Michael Klubal, National Industry Leader, Infrastructure, Government and Healthcare, KPMG in Canada. "Government leaders will have to evolve the culture within and across their government entities by establishing a new outward-looking mindset, providing citizens with the opportunity to co-design government services via their input and feedback. Horizontal system-wide platforms also need to be in place to break down organizational silos and enable multi-channel access by citizens and businesses alike."

The pandemic presents profound challenges for government — but also historic opportunities. It throws light on the inevitable need to put the public "at the heart of every service" via a coherent, consistent, centralized digital approach that encompasses all government functions — and that continually *anticipates* and *adapts* to ever-evolving public needs.

"The future of public sector policy will likely be driven by underlying socioeconomic objectives for the citizenry," says Mun-gu Park, Digital Transformation Center of Excellence, KPMG in South Korea. "A critical success factor will be a movement toward design-thinking policy development, combining behavioral science, service design and digital technology."

Putting people "at the heart" of government policy should also include the need to meet evolving public values and ambitions, says Michael Camerlengo, Head of Government, KPMG in the Asia Pacific region. "A positive impact of the pandemic is the heightened focus on sustainability and the role of governments in driving this forward — for example, the UN's Race to Zero campaign, with more than 450 cities and 22 regions adopting a target of zero emissions by 2050," he notes.

"Social inclusion is also rising to the top of the agenda and causing governments to rethink traditional approaches in order to foster a more inclusive model of policy development in education, social services, city planning and beyond. We expect government bodies to place a conscious focus on measuring their true value to the community, and striving to improve their impact across the dimensions of the environment, society and the economy," Camerlengo adds.

Key takeaways

Research into the state of CX in the sector has found that governments are providing poorer customer experiences than every private-sector industry.[9] To thrive in a new era, governments should evolve operations to focus on their stakeholders and position themselves to continuously respond to ever-changing customer needs. Forward-looking governments will likely build on the momentum of change that the pandemic has unleashed and continue to transform public service processes and efficiency. Putting people "at the heart" of government policy may also include the need to meet evolving public values and ambitions in areas such as the environment and social inclusion.

The future is customer centered

Modern government is trusted and agile

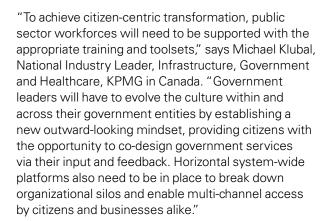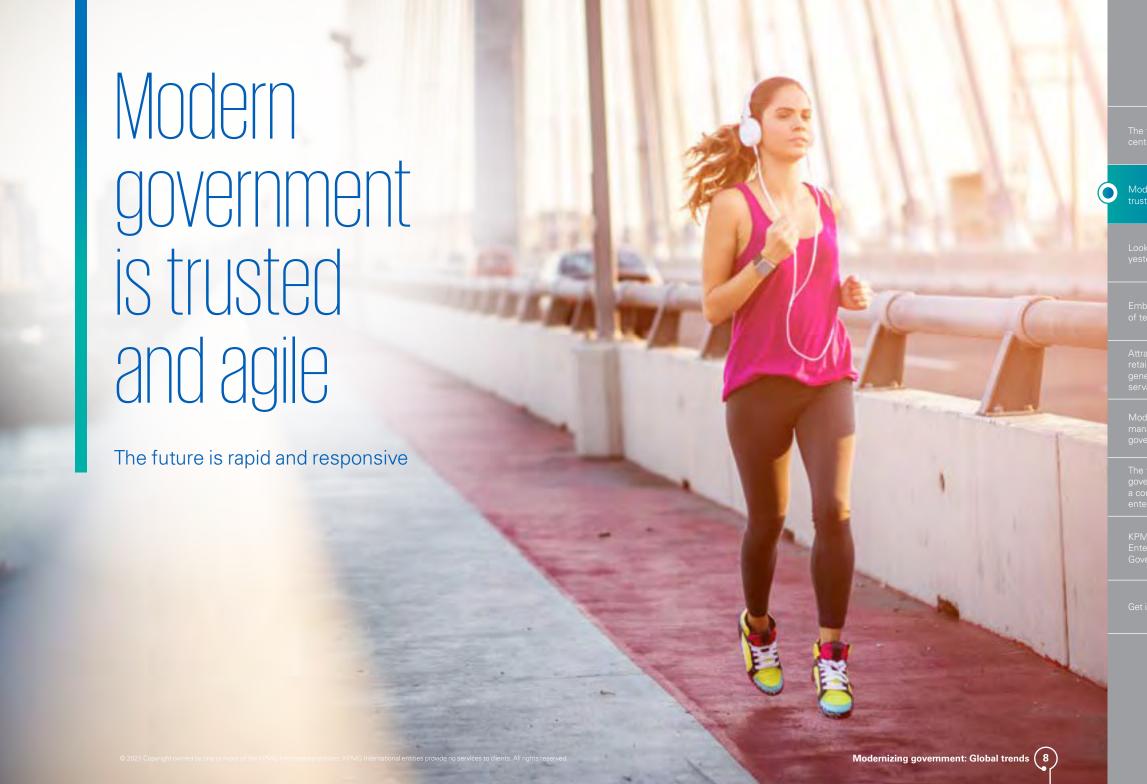Looking beyond yesterday's borders

Embracing the power of technology and data

Attracting and retaining next generation civil servants

Modernizing risk management in government

The future of government demands a connected enterprise

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Modern government is trusted and agile

The future is rapid and responsive

The agility of governments was dramatically heightened — practically overnight — during the pandemic's rapid, sweeping and devastating impact. The simultaneous eruption of health and economic emergencies forced governments into uncharacteristically rapid response modes. We witnessed rarely seen levels of interaction, innovation, support and short-term spending in the race to help the public.

That has been a marked shift from the traditionally slower moving, due-process approach that typically devotes significant time and resources to meticulous planning, balancing of conflicting requirements and demands, and managing of the 'big P' political agenda.

Australia's pandemic response, for example, saw over 10,000 additional short-term staff recruited to accelerate delivery of support to Australians.[10] This was complemented by an unprecedented emergency initiative that tapped into technology such as automation and mobile apps to create digital self-service capabilities and reduce dependence on face-to-face, paper-based interactions, in a socially distant environment. Australia also accelerated development of its JobSeeker and Jobkeeper financial assistance programs, a process that would normally take many more months to plan, develop and implement. Using existing Commonwealth identity capabilities, the Australian Government rapidly integrated the JobSeeker claims process onto a platform where people and businesses could find information easily and apply for support in one place.[11]

The pandemic has proven the potential of governments everywhere to dramatically heighten their agility, slash response times and meet public needs. Witness the rapid launch of new services, benefits and emergency processes that include temporary hospitals and digital health solutions, 24/7 call centers and hefty stimulus packages.

And the rapid change will ideally do much over time to enhance public trust in government going forward. It is worth noting that, according to the 2021 Edelman Trust Barometer,[12] businesses have replaced government as the most-trusted institution. Business now attracts greater trust globally and the report warns of a growing trust gap and the need to rebuild the trust ecosystem. A 2019 Organization for Economic Co-operation and Development report[13] found that only 37 percent of people in OCED jurisdictions considered that they had a say in what their governments did. The report further recommended that if governments took a people-centric approach to policy making and service delivery, they could rebuild trust in public administration in addition to other positive benefits.

"In the future, the importance of agile and trusted government will drive the need for a more citizen-centric approach to delivering services," says Reiji Kobayashi, Public Sector Management Partner, KPMG in Japan, noting that the Japanese government has launched a recent initiative to hire 500 digital experts for its planned "digital agency" of integrated public services.[14]

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>
> **Reiji Kobayashi**
> Public Sector Management Partner
> KPMG in Japan

Many governments will be undertaking the largest logistical challenge in the past 50 years as they mobilize and rapidly distribute COVID-19 vaccines to their populations. Along the way, of course, supply chains and procurement functions will need to be restructured and modernized. The pandemic has clearly revealed the fragility of supply chains and governments are now addressing how to rebuild and diversify them in order to make them more agile, modular, transparent and resilient.

It is vital for governments to establish visibility over all key supply chains in order to maintain agile and trusted operations. This may best be achieved through technology and smart use of data. A predictive supply chain toolset can provide comprehensive visibility across supply chains while also delivering new capabilities to quickly identify and remediate emerging shortfalls. Government agencies may also need to review and bolster their scenario and contingency planning, including focused strategies for supply chains linked to disaster recovery and critical national infrastructure.

While some changes to heighten agility will no doubt take time, there are a wealth of accelerators to dramatically shorten a rigorous and robust service design process. In the case of consultation, early engagement, co-design and customer-centric development can enable stakeholders to support changes rather than oppose them. The process can also be accelerated by not seeing consultation as a discrete period in the process. Ongoing engagement, leveraging digital platforms and a process of constant refinement of the service means that consultation can start early, be positive and continue while the service is in operation, rather than delaying change.

The future is rapid and responsive. Governments can continue to evolve by building new capabilities for agility that ideally will position them to readily move in and out of the roles that they hold in providing public programs and services. KPMG Connected Enterprise for Government is proving to be a timely roadmap that can be leveraged for new capabilities to harness the data, advanced analytics and actionable insights that can provide a real-time understanding of public stakeholders and how best to shape and deliver services.

While roles such as policy making, regulation and funding will remain central, agile new approaches will enable governments to collaborate, partner and interact more responsively and cost-effectively with the public, private industry and the marketplace. And this is already becoming critical as we look to a future that will likely be characterized by continued low economic growth and the need for creative solutions that harness emerging opportunities amid rapid change.

Opportunities for progress in a low-growth era

Sustained low economic growth will likely pose challenges — and new opportunities — for governments to finance and deliver innovative programs and services, while also positioning themselves to manage issues that include: the Fourth Industrial Revolution; the next inevitable health emergency; natural disasters and climate change; aging populations; evolving demographics; economic and geopolitical uncertainty; national security and more. A tall order indeed.

Governments need to be responsive in revolutionary new ways, pursuing an agile, rapid-service design model that can turn emerging challenges into opportunities for advancement. Localized place-based solutions will likely gain prominence to allow governments to respond to challenges and issues with new levels of precision and speed. Consider how the pandemic's abrupt impact has revealed just what is possible when today's governments tap into resources, expertise and technology to manage extreme challenges.

Modern, agile government should move in and out of thriving industries to support their continued growth and success, at the same time delivering crucial support to those sectors enduring economic challenges that include large cohorts of workers reaching or nearing retirement age, mounting talent shortages and the need to augment existing workforces with new digital skill sets. As a significant employer globally, governments should also be in a position to stimulate significant job creation in partnership with industry.

"Governments working more collaboratively than ever with business can drive and support industry innovation, a competitive regulatory environment, taxation reform and, ultimately, economic recovery and social progress," says Mathias Oberndörfer, Head of Public Sector, Managing Partner, KPMG in Germany.

At KPMG, we believe that interdependence between public and private sectors in securing economic prosperity has never been more visible or viable. Modern government has the opportunity to continually enhance its role as an economic steward, replacing decades of rhetoric with bold new intentions and intervening far more proactively to support the marketplace and foster progress.

Taiwan's government, for example, is currently dedicating significant funding and resources toward promoting and evolving what it calls the Six Core Strategic Industries within its robust economy, including the IT, cyber security, health and energy sectors.[15]

"Populism has caused the government's policy direction to tilt," says Steven Chen, Head of Infrastructure, Government and Health, KPMG in Taiwan. "It is attaching more importance to using public information and input, including through social media and today's technology platforms, to inform policy direction, while also focusing on the importance of data protection and risk-assessment."

Agile government is *flexible* government, possessing the vision and tools needed to adapt to society's ever-changing demands and preferences, for example the emergence of remote-working arrangements that for many employees within and beyond government have become their preferred "new normal." Smart governments are already learning from the COVID-19 experience and looking ahead to embedding the speed and efficiency of rapid-service design organization-wide.

Key takeaways

Governments should embrace agile approaches to working and embed rapid-service design into normal operations for policy and services. Greater reliance on place-based solutions can enhance the precision and speed of responses to challenges, issues and disaster scenarios.

Modern governments may play a greater role as economic stewards, taking a more active stance to drive economic growth via innovation and initiatives that are closely aligned with industry needs.

Looking beyond yesterday's borders

How insights from other jurisdictions can help to address today's public sector problems

Regardless of size or constituency, governments everywhere are typically struggling with similar issues that include chronic deficits and rising debt, low economic growth, climate change, shifting demographics, rapid social change, economic disparity and trust in public institutions. Safe to say that there are often more similarities than differences.

Smart, future-focused governments are already looking across borders and jurisdictions to acquire the vision, strategies, informed insights and best practices that other governments enduring similar circumstances can ideally provide in order to turn *today's challenges* into *tomorrow's opportunities*. Adopting such a global perspective that can utilize new forms of instructive collaboration with other governments and agencies will break through traditional barriers and accelerate reforms.

Critical new communication and problem-solving channels will also, as noted, extend into the private sector to enhance policy making, program design and execution via a deep and sustained exchange of thinking, ideation and best practices.

"Collaborative public-private partnerships between various levels of government and business in the last decade have demonstrated the speed and efficiency with which public services and infrastructure can emerge," says Paul Low, National Leader, Infrastructure, Government and Healthcare, KPMG in Australia. "The future is clearly collaborative — and opportunity rich when we look for shared interest."

Spotlight on innovators taking horizontal perspectives

In pursuing a global perspective that opens new pathways into the public and private sectors, governments gain a more horizontal view of potentially ground-breaking insights, solutions and opportunities

for digital transformation. Consider data sharing, for example. Many governments have traditionally operated under a "vertical legislation" model that restricts sharing of the personal and business data they continually amass. Placing customers at the very center of government services will require a bold new capacity for secure data sharing both within and beyond government agencies.

Innovative partnerships and alliances that create modern ecosystems for governments, can relieve them of the perceived need to be "all things to all people" and position them to "play to their strengths" within a sophisticated and complimentary network of expertise and capabilities.

Governments are also discovering how intelligent automation that is underpinned by data, AI, robotics and analytics has the power to redefine government processes. On this front, KPMG's data, artificial intelligence and emerging technology professionals are helping more organizations unlock critical new capabilities and insights.

In Australia, bushfires are a widespread and regular occurrence. In the eastern part of the country, the New South Wales Rural Fire Service, a state-run volunteer-based firefighting agency has transformed its operations in recent years. To better monitor fire-related risks, the service obtained a new fleet of portable automatic weather stations but had difficulty deciphering the data the equipment generated. There were a number of internal and external data inputs available for fire behavior analysis that were siloed, such as insights from the weather bureau.

To leverage this data to support decision making in responding to and mitigating fire-related incidents, the NSW Rural Fire Service worked with KPMG in Australia to create a one-of-a-kind data solution that combines operational and management reporting

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> **Collaborative public-private partnerships between various levels of government and business in the last decade have demonstrated the speed and efficiency with which public services and infrastructure can emerge.** 99
>
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> National Leader, Infrastructure, Government and Healthcare
> KPMG in Australia

using a human-centric design. The solution, called Falcon, is a web-based command center that consolidates data from internal and external sources, with a focus on areas of risk. It simplifies and automates request processing and provides a geographical visualization of fire incidents, weather-observing equipment and relevant readings.

In the area of digital policy, India has been making strides. Its National e-Governance Plan[16] is aimed at bringing all front-end government services online. The implementation of the Internet of Things gained impetus in 2015 through two major programs — the Smart Cities Mission[17] and Digital India[18]. The Smart Cities Mission[17] is a major urban-modernization and development program that includes implementation of innovative digital technology and IT infrastructure.

The future is customer centered

Modern government is trusted and agile

Looking beyond yesterday's borders

Embracing the power of technology and data
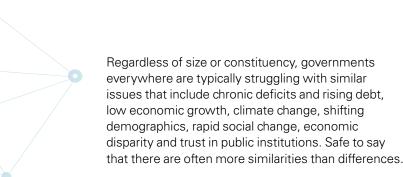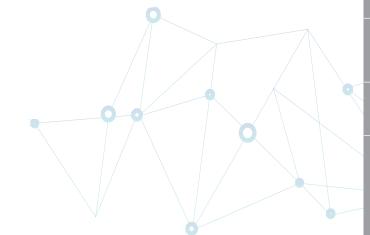
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Digital India is an initiative to make government services available to the public electronically via improved online infrastructure and connectivity.

Along the way, India and other governments are discovering a growing appetite among industry to coinvest with government, to provide managed services, and to open up new delivery methods — all of which can dramatically relieve government cost pressures while accelerating customer-centered service innovation and program delivery.

Small nations, monumental innovations

For instructive examples of just what's possible, we might look no further than Estonia, New Zealand or Uruguay. These are a few of the jurisdictions now setting a torrid pace into the digital future of government as members of the Digital Nations[19] initiative — a ground-breaking international forum of future-focused leaders. Their collective mission? "To harness the potential global power of digital technology and help one another to become even better digital governments, faster and more efficiently through sharing and learning from each other."

The mission statement of Digital Nations is to "lead digital government transformation for the benefit of citizens" by:

— developing cutting-edge digital policy and practices

— sharing approaches and best practices among members

— advancing members' international influence

— strengthening relations, building expertise and connecting digital leaders globally.

Participants are connected by the principles of user needs, open standards, open source, open markets, open government and a commitment to sharing and

learning together. Member nation Estonia has built what it boasts is "a digital society" featuring a secure and transparent digital ecosystem that is delivering 99 percent of government services online.[20] The government has implemented multiple security protocols and tools to ensure digital identity protection and secure data exchange as public reliance on e-government grows.[21]

Uruguay, meanwhile, aimed to have 100 percent of its government services online and instantly accessible by the entire population this year.[22] These nations and others within the Digital Nations collective are demonstrating just what is possible for governments that set their sights on "citizen architecture" and smart data use as the foundations of modern digital government.

New Zealand is also moving ahead boldly. "The dramatic health and economic impacts of COVID-19 have clearly highlighted the importance of our government's ability to respond swiftly and in a more connected way to provide a safe and sustainable future for all New Zealanders," says Souella Cumming, Head of Government Services, KPMG in New Zealand, noting that the nation's new Public Service Act 2020 is designed to promote a unified public service that functions as one integrated team.[23]

"Public-service reforms in New Zealand reinforce the 'spirit of the public service' that is modern, connected and truly citizen-focused. Embedding these expectations into legislation positions our public service leaders with the framework and momentum to consistently and reliably address the social, economic and technological expectations of all New Zealanders."

Key takeaways

Modern governments should adopt a global, borderless perspective to problem-solving — one that encompasses public and private sectors for a revealing new horizontal view that delivers revolutionary insights, solutions and opportunities for success.

Looking across borders to acquire the vision, strategies, informed insights and best practices of other governments and businesses will help governments to enhance their own local and domestic programs, solutions and services.

Embracing the power of technology and data

Supporting evidence-based insights and decision making in the public sector

From receiving benefits, accessing health records, registering companies, applying for licenses, to voting — digital technology can make these things instantly accessible, intuitive to navigate and less expensive to deliver. So, what will it take to make governments digital?

A modern digital ecosystem that positions government to provide *any service* to *any person* or *business* on *any platform* using *any device* will be a key enabling factor. And that will likely require four key components — a centralized data-exchange platform; secure online identification authentication; modern legislation governing data use and sharing; and new and upskilled talent who can work with and support emerging technologies that deliver a seamless customer experience to the citizen. Governments that possess these game-changing innovations will likely position themselves for success in a new era of capabilities, demands and expectations.

The challenge for government includes abandoning the traditional continuum of *working* in silos, *hiring* in silos and *procuring* in silos — replacing it with a services model that's designed from the outside in, putting customers at the center of a complete digital ecosystem that makes the most of data to unlock timely insights and support evidence-based decision-making.

Shared technology and data platforms that span governmental agencies and enable the rapid and reliable delivery of connected services to the public should be key priorities. This will include increased migration to the cloud, development of modern enterprise architectures, implementation of robotics and intelligent automation, and the adoption of agile methods for software development.

The 2020 Harvey Nash/KPMG CIO Survey[24] shows that there has been a 15 percent increase in IT spending by national governments compared to a cross-sector average of 9 percent — a sign of how critical technological transformation has become to the future of public services. IT organizations in this sector will need to demonstrate that technology investments are having clear, strategic impacts, as affordability of transformation programs will be challenged. Priorities center around workforce enablement through collaboration platforms, and deriving critical insights from data to heighten operational efficiency. Cloud, customer experience and security are the three top investment areas for national, state and local governments.[25]

KPMG firm experience and research[26] clearly indicate that the public sector can mirror the ground-breaking customer experiences that are being delivered by the private sector today. Success hinges on a changed mindset as to what is achievable, and a precise understanding of how to get there through new technologies and ways of working.

"Nation-building investment for the future transcends spending on new transportation infrastructure, modern public-health facilities and other important projects to include digital infrastructure and a sharp focus on digital society's needs and preferences," says Leigh Harris, Partner and Government of Canada account lead for KPMG in Canada. "Yesterday's railroads are today's digital channels."

Staying afloat at the deep end of the data pool

Consumer data continues to proliferate amid society's rapid embrace of ubiquitous digital platforms, devices, apps and cloud services offering instant access to an expanding universe of online shopping, banking services, health-and-fitness resources, social media and more. As businesses nurture public trust in their use and protection of data, consumers continue to enthusiastically sustain the deluge of personal data that keeps this digital universe expanding.

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Leigh Harris
Partner and Government of Canada account lead
KPMG in Canada

Governments of course have also jumped into the deep end of the data pool, if you will, compiling an endless array of information related to personal and business taxes, health, employment, benefits, education, immigration, licensing and permits, and beyond. Governments now know enough about their customers to be more precise and responsive in their policy making and program delivery.

Today's challenge lies in building public trust in the government's use of data — particularly the sharing and centralization of information being held across the multitude of government agencies and departments. While consumers are accustomed to providing personal information to online shopping or entertainment platforms, doubts remain concerning public trust in governments' data management.

A KPMG commissioned study conducted by Forrester Consulting in 2020 on behalf of KPMG shows that data

security and privacy concerns are cited by 35 percent of governments as the leading barrier to their successful execution of customer-centric strategies.[27]

Trust in government becomes critical

As governments continue to build immense databases, their ability to implement technology, data and analytics to create personalized, customer-centric service models will likely demand trusted government stewardship of all public data.

As the Embracing Innovation in Government report by the Organization for Economic Co-operation and Development[28] stresses, governments need to be "transparent about the data they collect, and clearly demonstrate the value of the resulting products." This is increasingly the case as the public gains a more-sophisticated understanding of algorithms being used by online platforms, and the potential for data misuse.

According to KPMG's 2020 Global Customer Experience Excellence report,[29] 98 percent of customers are concerned about their personal data and what happens to it. KPMG research in the US[30], meanwhile, shows that local, state and federal government services have room for improvement, with just 44 percent of survey respondents saying they trust government employees. At the same time, however, 70 percent also said they would like governments to offer more online transactions.

A 2020 Citizen Experience Survey by the Australian government, meanwhile, found that just 37 percent of Australians reported having trust in Australian Public Services, an increase of 6 percent from 2019.[31] Anecdotally, this indicates improvement through the early COVID-19 response. To improve internal operations and encourage trusted data sharing, governments will inevitably need to implement stringent cyber security protocols.

People have a right to see how their personal data is configured, used, shared and protected. And like today's commercial platforms, governments everywhere will need to assure their customers that they are appropriately managing and sharing their data both within and beyond departments and agencies.

Many governments are unable to unlock the promise of using data for more effective operations because they have legislation in place that severely restricts data sharing. About a third of governments (30 percent) surveyed by Forrester Consulting on behalf of KPMG cited difficulty sharing customer data and analytics between channels, jurisdictions and locations as a key barrier to progress on customer centricity.[32]

Unlocking the closely guarded tax data of people and businesses, for example, typically remains extremely difficult. But new rules of engagement will be critical in order to eliminate roadblocks embedded in regulations and liberate governments to evolve toward centralized digital ecosystems and decision making that's driven by data-based evidence and insights.

Innovators in the spotlight

Below are a few examples of how various jurisdictions are making progress to provide the public with unprecedented levels of access to data and government resources online.

India has facilitated new levels of data sharing across its central, state and local governments during the pandemic and this innovation is expected to continue beyond the current health and economic emergencies.[33] India's National Data Sharing and Accessibility Policy (NDSAP) makes all shareable, non-sensitive data generated by various government agencies available in digital or analog format. The Open Government Data (OGD) Platform[34] has also been set up to provide free access to various data and resources published by different government entities.

In Denmark, to ensure that legislation closely aligns with its digital and economic strategy, authorities must assess the commercial and economic consequences of new regulation against a set of "five principles for agile regulation of trade and industry."[35] Estonia has an information system for the drafting of legislation that enables transparent preparation of policy documents, draft laws and regulations. The public can access documents that are open for public consultations and obtain updates on topics that they are interested in.[36]

New Zealand is also moving to enact faster legislative changes that will accelerate delivery of public services.[37] In Australia, the nation's Digital Transformation Agency is consulting with the public and business on innovative laws designed to support the launch of its digital-identity program.[38] Proposed laws would "support and strengthen" the government's digital-identity system by making current privacy protocols more robust, while establishing new governance arrangements.

A trusted, reliable and secure digital-identification framework is considered essential for the advancement of online public-service delivery, giving agencies confidence that every person or business they are dealing with is who they claim to be. The government's immediate goal should be to continue building on the digital transformation momentum it has created during the pandemic, and to position itself for a rapid recovery and growth post-pandemic.

In the US, the Internal Revenue Service is planning a modernized, digital case-management system that will allow taxpayers to access information faster and more reliably.[39] The effort is part of the Taxpayer First Act focused on updating technology that dates to the 1960s. The IRS has also begun using AI to target high-income households that have not filed tax returns.[40]

The journey continues for governments far and wide. As the University of Cambridge's Bennett Institute for Public Policy notes, nations around the world are responding in diverse ways to unleash the disruptive power of digital technologies.[41] But the institute also warns that many governments typically "suffer from a deficit of knowledge among senior leadership surrounding digital technologies and the possibilities that they hold for public service provision, policy making and regulation." Senior leaders need to better understand "how digital technologies can both impact and transform government and, on the basis of that knowledge, make informed decisions on digital adoption."

Key takeaways

Governments should use data and technology for evidence-based insights and decision making that will help them effectively identify, respond to and anticipate public needs and expectations.

To improve internal operations and encourage trusted data sharing, governments should inevitably implement stringent cyber security protocols.

Attracting and retaining next generation civil servants

Recruiting with purpose and reshaping existing public sector workforces

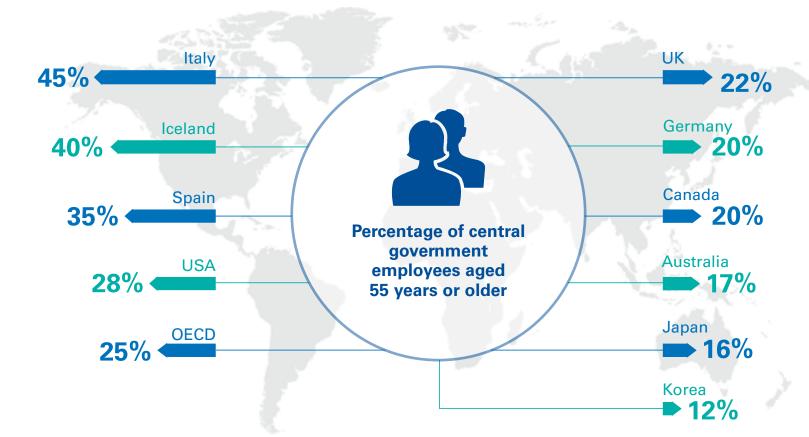Global populations are aging and economies are feeling the impact as private and public sector organizations struggle to manage talent shortages that are undermining their workforces and productivity — while also chasing the critical new skills needed for the digital age. Research by the Organisation for Economic Co-operation and Development (OECD) shows that, among jurisdictions with available data on their central public-administration workforces, about 24 percent of employees are 55 or older, while just 18 percent are under 34. Italy's government has the highest proportion of employees 55 or older at 45 percent.[42,43]

Percentage of central government employees aged 55 years or older

Italy **45%**
Iceland **40%**
Spain **35%**
USA **28%**
OECD **25%**

UK **22%**
Germany **20%**
Canada **20%**
Australia **17%**
Japan **16%**
Korea **12%**

Source: OECD (2016) Survey on the composition of the Workforce in central/Federal Governments

The race is on to recruit the next generation of civil servants. And it's no secret that today's young and emerging professionals are raising the bar in their pursuit of meaningful, purpose-led, socially conscious roles and careers that ideally will allow them to have an impact in driving positive social change.

As the Geneva-based International Labour Office's report titled Global Employment Trends for Youth 2020: Technology and the Future of Jobs [44] notes, "technological change has indeed increased the demand for highly skilled workers." The report also notes that "the adoption of digital technologies — such as online portals and more sophisticated systems based on artificial intelligence and deep learning — by public employment services in advanced economies and some emerging ones has increased their efficiency and transparency in the labor market."

Fortunately, governments can typically meet this emerging workforce's preference for the meaningful and purpose-led work that it highly values. In the view of this report's author and contributors, this important value proposition has been underplayed by governments and should be highlighted in future recruitment efforts, proclaiming civil service as a prime environment for young people who truly want to make a difference by enabling social change.

Implementing modern technology will play a crucial role. Governments are challenged by the fact that younger talent with modern technical skills can be deterred by government's lack of innovation. Research by KPMG in the US shows that nearly 60 percent of government executives admitted that, compared to the private sector, their agencies struggle today to attract and retain skilled talent for the digital future. [45]

This will all prove critical of course as governments continue to compete with the private sector for the best and the brightest talent that possesses the passion to move modernization agendas forward.

Critical new skills for a challenging new age

Beyond heightening their brand as employers of choice in the competition for talent, governments will also need to explore opportunities to engage private-sector professionals who can quickly deliver new skill sets, such as data scientists and customer-experience specialists. Reskilling (learning new skills to perform a different job) and upskilling (learning new skills to expand capabilities) existing employees will also be crucial to overcome talent shortages and enhance public services.

According to KPMG's 2020 HR Pulse Survey report, [46] for example, building talent through upskilling and reskilling was cited by 72 percent of human resources executives as a key factor in shaping the workforce of the future. Also noteworthy is the fact that government and public sector organizations, along with educational institutions and hospitality companies, reported the greatest reskilling needs.

"Reskilling of current teams for the digital era has become crucial amid new technology and changing organizational priorities," says Nicholas Fox, Partner, Head of Government for KPMG in the UK. "This is making 'learning in the flow of work' essential — the ability to offer new forms of credentialing and new ways of building required skills and capabilities."

Upskilling current employees, meanwhile, will be a valuable way for governments to retain employees possessing valuable institutional knowledge and an understanding of how government functions. Enhancing their skills will enable them to focus on more valuable tasks and fill positions in highly competitive fields such as IT and cyber security.

Governments may also need to show new levels of flexibility in how their workforces and the diverse roles within them are organized and dispatched, for example managing the shift to remote and hybrid
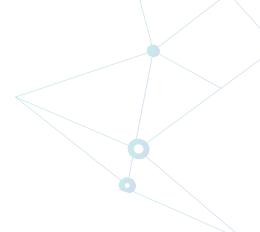
> **"**
> Reskilling of current teams for the digital era has become crucial amid new technology and changing organizational priorities. **"**
>
> **Nicholas Fox**
> Partner, Head of Government
> KPMG in the UK

working arrangements that for many employees may become permanent. The pandemic has shown governments' capability for greater flexibility in how it functions, and this important trend will likely need to continue.

While acknowledging the need for their workforces to evolve their skills and capabilities to support digital agendas and customer-centric models, governments realize that their journey still has considerable ground to cover. Research conducted by Forrester Consulting on behalf of KPMG shows that 30 percent of

respondents cited a lack of qualified staff as a barrier to executing customer-centric strategies.[47]

At the same time, only about half (56 percent) will be prioritizing near-term investment in creating an aligned and empowered workforce, while a third say such investment will remain a low priority for the next two to three years.[48] As global workforces age in many Western economies and retiring workers continue to depart from jobs in growing numbers, of course, the pressure to innovate is certain to grow.

Key takeaways

Governments should be proactive in attracting and retaining the next generation of civil servants, introducing critical new skills and ultimately reshaping their workforces to align with the demands of a digital society.

Reskilling and upskilling today's civil services will play a crucial role in retaining valued talent and knowledge, overcoming talent shortages and enhancing public services.

The future is customer centered

Modern government is trusted and agile

Looking beyond yesterday's borders

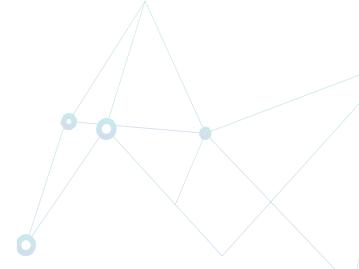Embracing the power of technology and data

Attracting and retaining next generation civil servants

Modernizing risk management in government

The future of government demands a connected enterprise

KPMG Connected Enterprise for Government

Get in touch

Modernizing risk management in government

Supporting accelerated program development, delivery and performance

In the wake of a historic global health and economic emergency — one that has demonstrated governments' ability to act decisively and with unprecedented speed — can we expect publics to abide governments that maintain their traditional approaches to service delivery?

It appears unlikely, in the view of this report's author and contributors. The playing field has shifted, and the high expectations of today's digital consumer society will likely be applied increasingly to governments for smart, secure use of technology and data, trusted and personalized services, faster response times, heightened transparency and greater accountability.

The pandemic has cut across the status quo and unlocked vastly different ways of working that have been relatively successful and subject to ongoing improvements. In effect, the pandemic has precipitated a new way of "incubating" innovation at an unheard-of pace — and one that governments traditionally have been averse to pursuing.

The pandemic has thereby shown a change in governments' risk appetite regarding its processes, delivering in the current environment digital technology implementation, real-time results tracking, smart data use and electronic prescribing — all of which have been on government to-do lists for years without substantial progress.

Higher risk, heightened responses

This dramatic change in risk appetite has of course been driven by necessity. Governments have been forced to accept a higher risk posture in the face of the pandemic's massive impact and the need for vastly accelerated decision making and reaction times.

In many instances, government responses to the pandemic have been effective but have come at the expense of the usual rigor and diligence expected

and required of governments. To support people and economies, governments have had to relax spending rules, implement changes rapidly and take shortcuts that may expose them to risk.

The risk landscape in the post-pandemic new reality will likely be one that has emerged through each phase of the crisis, for instance:

— Many of the actions taken in the initial crisis reaction phase may need to be safely wound down over time, such as support payments, or they will need to be strengthened and moved to a sustainable footing.

— Resilience measures, such as new supply chains, may need to be tested and amended to ensure alignment, and reduced risk, to government outcomes and mission.

In managing risk, leaders should ensure that the control environment accelerates, rather than forcing the business of government to slow down. Having assurance frameworks in place to accurately measure the impact of government actions and programs will also emerge to reinforce agility and enhance future responses.

We expect governments will recognize the wisdom of staying the course rather than slipping back to a traditional approach. Governments have no doubt learned that, unlike past reliance on high levels of preparedness, due process and fully baked programs deemed optimal for delivery, the future will likely be more about heightened responsiveness that leverages the power and reliability of digital technology, data use and self-service capabilities.

"Governments are pretty well attuned to the risk issues they face — the true challenge lies in government's ability to execute and implement," says Liz Forsyth, KPMG Global Head, Infrastructure, Government and Healthcare. "Government can

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Governments are pretty well attuned to the risk issues they face — the true challenge lies in government's ability to execute and implement. ”

Liz Forsyth
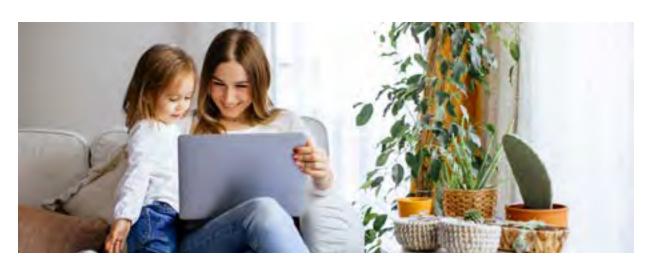KPMG Global Head, Infrastructure Government and Healthcare

consider risk very competently but its most-significant risk today lies in its *response*. Governments struggle with that. Execution and implementation represent significant challenges, particularly in a very time-constrained environment such as we've seen during the pandemic."

Saudi Arabia, for example, has seen "a much more *self-forgiving* government that is taking action as needed while allowing itself to perfect its approach later," says Ismail Alani, Head of Government and Public Sector at KPMG in Saudi Arabia. "Acting fast rather than acting 'spot on' has become the norm. This is especially tangible in the digitalization of the *customer*

experience, where a certain level of error and risk is now allowed to implement new technologies."

Reshaping approaches and processes in order to accept a higher level of ambiguity concerning risk — as seen everywhere during the pandemic — is the way forward to achieving desired outcomes.

Dynamic risk approaches will ideally include real-time visibility of program implementation and transparency. Risks can be quickly identified and mitigated, and the performance of programs and services can be both sustained and demonstrated by a strong evidence base.

Key takeaways

The pandemic has prompted a rapid and radical change in governments' risk appetite and posture as nations race to meet today's health and economic emergencies.

This dramatic change driven by necessity reflects future possibilities for a modernized approach to risk — one that will significantly accelerate program development, delivery and performance.

Having assurance frameworks in place to accurately measure the impact of government actions and programs will reinforce agility and enhance future responses. Government can be confident that the impact of its investment or intervention aligns with expectations and decision making.

The future of government demands a connected enterprise

Understanding and mapping the interdependency and connectedness of legislation, data, goals and people

Today's customers are better informed and more demanding than ever. Economic markets are unstable — with continuing disruption and upstart challenges to the status quo. Sustainable growth in a digital world depends on a new order of customer centricity in which processes are aligned across all functions — and technology, talent and external partners aligned to meet customers efficiently.

The future is about breaking down silos and getting connected. The divisions between front, middle and back offices are collapsing. Future-focused organizations are shaping new operating models in which every part of the organization, end to end, is working with every other element to deliver against the big picture.

Forrester Consulting research commissioned by KPMG shows that organizations making moderate or significant investment in all eight critical capabilities of a "connected enterprise" (see page 28) are 2.1 times more likely to deliver customer experiences that exceed expectations, that successfully execute on one or more customer-centric objectives, and that achieve return on investment on at least one key.[49] Each of these capabilities drive improvement but when combined, the impact of transformation is effectively supercharged.

Looking through five lenses

There are five lenses we believe organizations should look through when considering future success in an enterprise-wide transformation. High-performing government agencies are recognizing the inevitable to:

1. Connect customers with compelling opportunities and interactions

2. Connect and empower employees to deliver on the customer-centric experience

3. Connect front, middle and back offices to execute on the customer-centric agenda

4. Connect ecosystems of partners to jointly deliver on commitments to customers

5. Connect to market dynamics and digital signals

Eight critical capabilities of a connected enterprise and public sector digital innovation examples from around the world

Capability	Definition	Global innovator
Insight-driven strategies and actions	The ability to harness data, advanced analytics, and actionable insights with a real-time understanding of the customer and the business, to shape integrated business decisions.	In Japan, the agriculture, forestry and fisheries industries are suffering from workforce shortages and difficulties in the transfer of skills and management approaches from aged to younger workers. To address these challenges and establish data-orientation in these industries, the Ministry of Agriculture, Forestry and Fisheries (MAFF) created the Medium- to Long-Term Digital Government Plan in 2018. As the first step in this plan, MAFF built a common application platform (eMAFF) that allows for various procedure applications to be made online.
Innovative products and services	The ability to develop compelling and innovative policies and services to deliver outcomes and drive a positive customer experience.	The German Federal Ministry of Interior was provided with support to set up a fully enabled self-organized innovation unit spreading a user centric mindset and methods within the federal administration, facilitating long-term mindset change and accelerating the digitalization of the federal administration.
Experience-centricity by design	The ability to design seamless experiences for customers, employees, and partners, supporting the customer value propositions and delivering business objectives.	In Saudi Arabia, the Ministry of Finance's Etimad platform[50] is breaking down information sharing barriers among the Kingdom's various departments and agencies that work third parties, including various government agencies and the private sector. The platform's capabilities include: — online and automated budget services — tendering and procurement services that feature direct online transactions between government agencies and the private sector, including technical evaluation and awarding — online contract registration and approval of contracts — payment management, request and receive payment orders — managing employees' financial compensation for other government entities.
Seamless interactions and transactions	The ability to interact and transact with customers, partners, and stakeholders across policy, services, and communication channels and achieve measurable results.	In the United States, a citizen in the state of Ohio may need three different logins to pay their taxes, pay a fine, and to obtain a driver's license. The state's Innovate Ohio program is working to create a system where residents can interact seamlessly with the government for each of those services and others. [51]

Capability	Definition	Global innovator
Responsive operations and supply chain	The ability to operate the enterprise with efficiency and agility to fulfill the customer promise in an efficient and effective way.	In India, the central and state governments run a food security program (the Public Distribution System) that distributes food and non-food items to the disadvantaged at subsidized rates. The state governments are responsible for distributing supplies through a network of fair price shops. When COVID-19 hit, a state in the southeast of the country needed a "last-mile" doorstep delivery solution to serve 15 million people. To address this need, the Andhra Pradesh State Civil Supplies Corporation flexed its technology enabled supply chain and introduced mobile dispensing units. The corporation also used low-cost technology solutions to trace ration bags to prevent pilferage and the fraudulent rerouting of supplies. Options for alternative storage were also introduced to reduce program costs and wastage of supplies.
Aligned and empowered workforce	The ability to build a customer-centric organization and culture that inspires people to deliver on customer outcomes.	In the UK, the Civil Service Learning (CSL) curriculum delivers innovative, digital and blended learning to the government's 450,000-plus staff from more than 200 organizations and 46 functions and professions, domestically and overseas. The Government Skills and Curriculum Unit, which oversees the offering is updating it to include learning topics that will cover modern leadership development, management skills, project delivery, data sciences, customer excellence, trade, digital transformation, commercial, and financial training, alongside many other critical capabilities.
Digitally enabled technology architecture	The ability to create intelligent and agile services, technologies, and platforms, enabling the customer agenda with solutions that are secure, scalable, and cost-effective	To improve security clearing service delivery, the Canadian Government has embarked on a project to modernize the business systems for its Industrial Security System, currently comprised of two distinct systems: contract security and controlled goods. This transformation will see two aging systems that encumber support and service delivery unified and optimized into one system designed to maintain appropriate security parameters while meeting the current and emerging needs of the Government of Canada, its customers, partners and industry.
Integrated partner and alliance ecosystem	The ability to engage, integrate, and manage partners to increase speed, reduce costs, mitigate risk, and close capability gaps to deliver customer outcomes.	Specialist Disability Accommodation (SDA) supports people with a disability and with significant functional impairment and/or very high support needs who require integrated housing and supports to meet their needs. The Australian National Disability Insurance Scheme (NDIS) has an SDA Pricing and Payments Framework, creating a marketplace for providers, investors and participants to interact in order to achieve the most efficient and innovative models of integrated SDA delivery.

"Even if complete transformation is not immediately feasible, a challenge that many governments are already facing, it will be extremely important to possess a clear roadmap for how each capability contributes to the evolution of a government organization and infrastructure for a new era," says Cath Ingram, Lead Partner for Federal Government, KPMG in Australia. "It's a complex challenge and we are trying to provide a holistic roadmap, so that when organizations embrace change and reform, they fully understand the interdependency and connectedness of legislation, data, people and process."
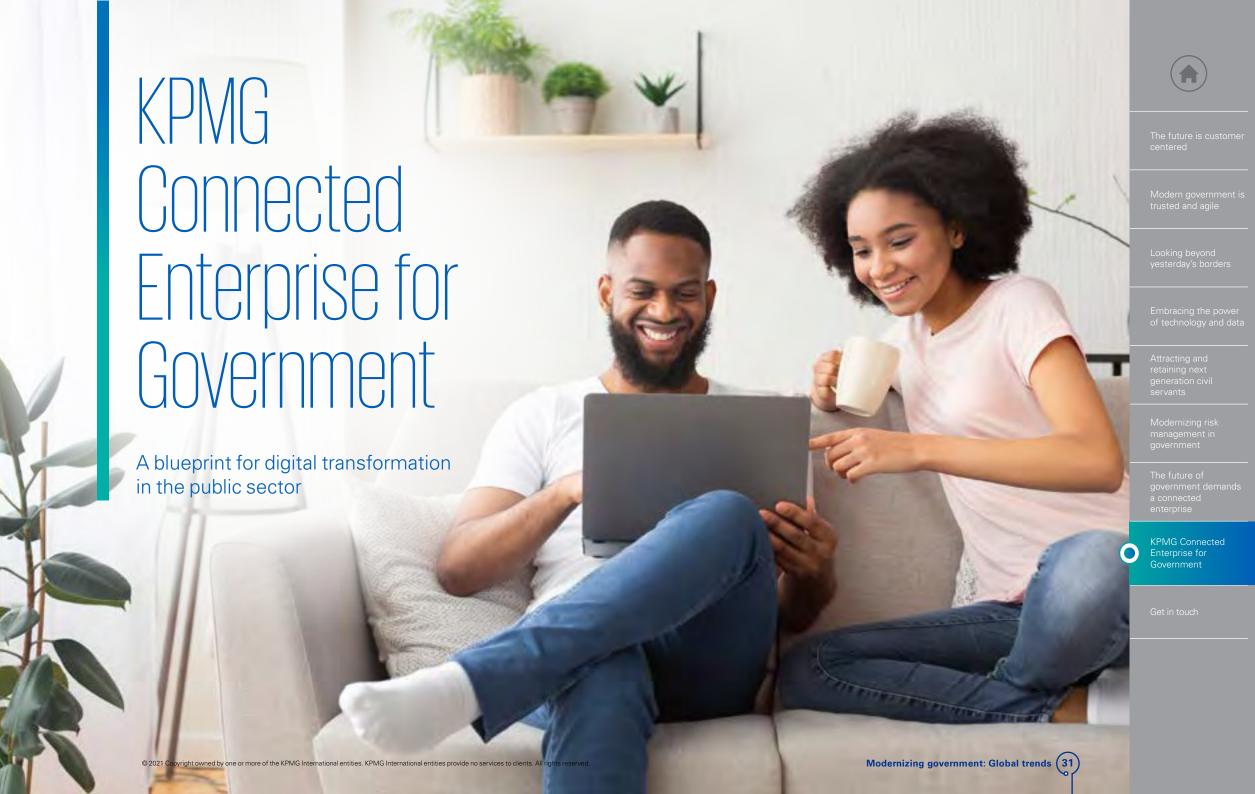

Key takeaways

To thrive in a new era, governments should evolve operations to focus on the public as their customers and position themselves to continuously respond and adapt to ever-changing circumstances and needs.

Research shows that organizations investing strategically in the eight critical capabilities of a connected enterprise are twice as likely to meet customer expectations, achieve their business objectives and deliver return on their digital investment.[52]

KPMG Connected Enterprise for Government

A blueprint for digital transformation in the public sector

The KPMG Connected Enterprise for Government framework is designed from the ground up to enable an extraordinarily rich discussion at the leadership level about the entire organization — providing a strong starting point for a digital engagement by:

— focusing on pain points

— establishing a target operating model

— tailoring the model to specific and unique organizational needs

— simplifying and accelerating the process of transforming organizations for the digital future.

The framework ideally offers government the potential to "leapfrog" toward transformation, versus incremental change. How? By bringing entire, organization-wide operations into a single line of sight, thereby providing a unique view of the various journeys required by all stakeholders across diverse government functions.

From there governments are positioned to identify the various points of intervention for change and where to optimize return on investment. KPMG Connected Enterprise for Government brings disparate parts of the organization together into an integrated whole,

revealing the organization's operating system as it is intended and cutting across traditional functional verticals, silos and boundaries. The result is a different lens and better guidance on where to invest in digital innovation and how it shapes the customer experience.

Forward-looking governments are already planning and designing services across government entities, replacing the traditional siloed approach that typically separates individual departments and agencies. Such connected organizations ultimately enable unprecedented new levels of constructive enterprise-wide dialogue and decision making. This kind of comprehensive innovation should begin from the top down via leadership that adopts the required enterprise-level thinking.

The future, then, is about responsive operations that offer seamless interactions through innovative services. There is no going back to the old ways of doing things, post-pandemic. "The genie is out of the bottle" as the saying goes — and already anticipating new digital applications.

The KPMG Connected Enterprise for Government framework provides cutting-edge sector insights and maturity diagnostics that assess a department's digital maturity and can compare it against industry and country standards. The framework also has sector blueprints that map the department's entire enterprise and technology architecture.

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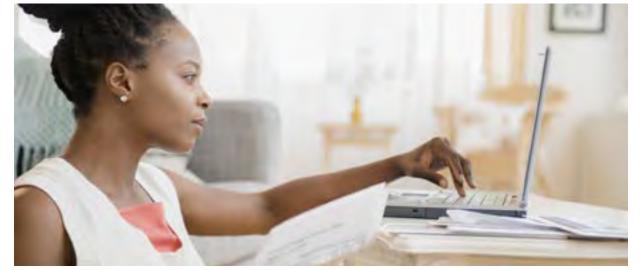
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Customers

Citizens, industry, delivery partners, delivery agencies/ departments, communities, ministers, other levels of government

Channels

Service outlets, social media, digital, contact centers, mail/e-mail

Enterprise strategy

Service outlets, social media, digital, contact centers, mail/e-mail

— Government direction

— Demographic needs

— Budgeting and business plans

— Mission, vision and culture

Core business practices

— Stakeholder management (industry, employees, citizens, intergovernmental, regulators, communities, providers, industrial relations, elected bodies)

— Elected officials support

— Strategy and policy development

— Ecosystem management

— Third party provider management

— Regulation

— Service delivery

Advanced data and analytics

— Technology and architecture

— Data collection and storage

— Governance and compliance

— Transformation and algorithms

— Analytics

— Visualization and insights

Enabling business practices

— Enterprise technology

— Enterprise operations

Is your government organization customer-centric?

Take the free diagnostic assessment

KPMG Connected Enterprise for Government

Primary actors

Ministers, citizens, customers, workforce, communities, industry/partners, international governments, other government departments/NGOs, regulators

Secondary actors

Other levels of government, general public, journalists/media

Interaction hubs

— Contact centers
— Self-service portals for individuals and enterprise
— Employee experience interactions
— Third party interactions

Capabilities

— Desktop services
— App services (including: experience and customer mapping)
— Mobility services
— Data services
— Everything as a service
— ERP
— CRM
— Grants management
— Payments engine
— Modelling and digital twinning
— Entitlement and eligibility calculator
— Intelligent automation

Process/Orchestration

— Integrated business process management

Stakeholder management

Front office business practices

— Elected official support
— Strategy and policy development
— Regulation
— Service delivery

Middle office business practices

— Ecosystem management
— Third-party provider management

Advanced data, analytics and insights

Back office practices (enterprise support)

— Budgeting
— Financial planning, management and reporting
— HR, payroll and people management
— Procurement
— Asset management
— Risk, quality management and accreditation
— Facilities management
— Health and safety
— Communications, marketing and media
— Legal and compliance
— Security and privacy
— IT support and operations

Catalysts for change

○ **Digital technologies and processes**

IoT, AI, blockchain, augmented reality, advanced sensors, cognitive, robotics

○ **Advanced data science**

Natural language processing, deep learning, quantum computing, simulation, advanced analytics, optimization, cognitive and machine learning

○ **Enterprise data store**

Device data, on premise, cloud storage

○ **IOT platform**

Device connectivity, management and security

○ **Cyber security and privacy**

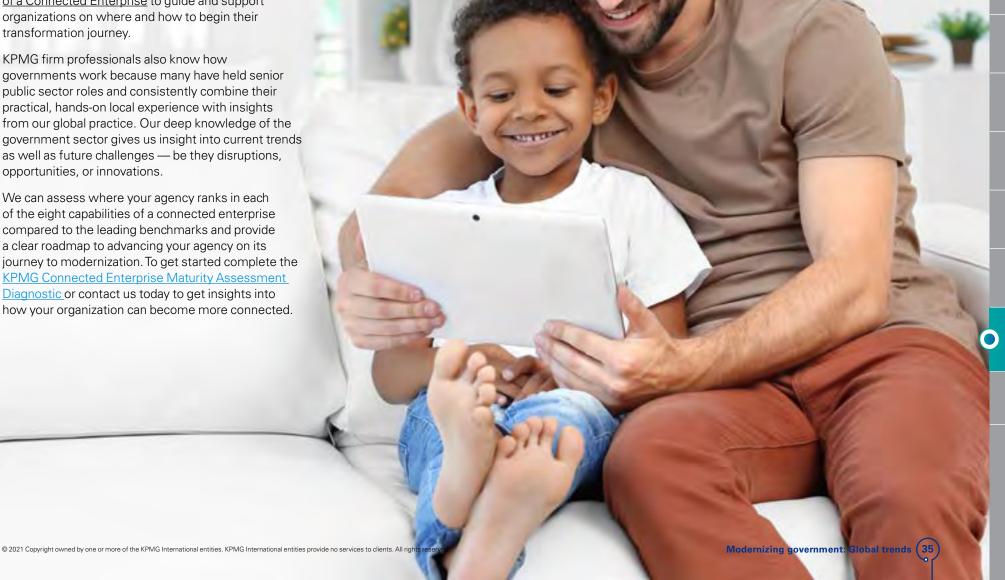○ **Enterprise technology**

Why KPMG?

When undertaking organizational transformation, governments need to think about how change affects their people, as well as processes, and technology. KPMG's Government and Public Sector practice professionals use the eight critical capabilities of a Connected Enterprise to guide and support organizations on where and how to begin their transformation journey.

KPMG firm professionals also know how governments work because many have held senior public sector roles and consistently combine their practical, hands-on local experience with insights from our global practice. Our deep knowledge of the government sector gives us insight into current trends as well as future challenges — be they disruptions, opportunities, or innovations.

We can assess where your agency ranks in each of the eight capabilities of a connected enterprise compared to the leading benchmarks and provide a clear roadmap to advancing your agency on its journey to modernization. To get started complete the KPMG Connected Enterprise Maturity Assessment Diagnostic or contact us today to get insights into how your organization can become more connected.

Get in touch

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In her role, Liz oversees a global network of more than 5,000 government, healthcare and infrastructure consultants in KPMG firms in more than 140 countries and territories. She uses global and local insights to help firms' clients address challenges with the aim of producing better outcomes for citizens and communities.

Liz has more than 15 years' public sector experience. She started her career as a social worker and then moved into management consulting. Liz joined KPMG in 2002 and established the Australian firm's Health, Ageing and Human Services practice and went on to lead the sector at a national level in 2013 for 5 years.

Liz's driving passion is health and social policy reform. Her work has predominantly focused on issues related to disadvantage, disability and vulnerability. This work has included strategy, policy development, program design and reform, service improvement, resource allocation and funding methodologies and evaluation.

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