

The road ahead for public service delivery

Delivering on the customer promise*



Foreword

‘The public sector is, collectively, the world’s largest service provider. Any incremental improvement in public services positively impacts millions of people. The first step to ‘delivering the customer promise’ is to know your customers and their needs.’

Wim Oosterom

Public sector leaders around the world face a common set of challenges if their services are to meet the increased expectations of their ‘customers’ – both citizens and businesses. However, our experience shows that while the challenges may be consistent, the ways in which they are being confronted, and the results that are being achieved, vary considerably.

One common challenge faced by every organisation is how to service its customers better. The public sector is no exception. Traditionally, it has been seen as a passive vehicle for executing social policy mandated by legislation. Increasingly, however, accustomed to enhanced service delivery from the private sector, citizens/businesses view the public sector as another provider of ‘services’ – services for which they pay taxes.

To address this, the public sector must find ways of improving the efficiency and effectiveness of its service delivery. This means providing value for money by improving quality of service (accessibility for all and satisfactory customer experiences and outcomes), and reducing the costs involved in providing those services.

Because the need for a customer-oriented focus coincides with tightening government budgets, providing value for

money is a core concern today. This is prompting the public sector to explore new sustainable models for service delivery – models that can improve customer experience and outcomes through enhanced service levels at the same or reduced cost. The solution lies in developing customer-centric models that draw inspiration from the relative success with which the private sector has addressed this situation, and that put the customer at the heart of service design and service delivery.

While the public sector does not choose its customers, the fact that it is required to service them and their diverse requirements is another factor driving the need for new service delivery models. To deliver on the customer promise, public sector organisations must build ‘connected government’, seamlessly aligning multiple government departments with customer journey needs.

The ‘customer promise’ is part of the inherent agenda of governance for the public sector and sets out the standard of service that government is required to provide to its customers.

As one of the world’s largest globally integrated professional services organisations, we act for governments at all levels (international, national, state and local). The strength of our global network means that we are uniquely positioned to

share know-how and identify emerging trends in best practice amongst these organisations, as well as drawing on developments in the private sector from which public sector organisations may be able to benefit. These insights inform the following paper.

Marking the launch of our ‘Public Sector Research Centre’ (www.psrc-pwc.com), a focus for our global public sector know-how, this paper brings together our own ‘connected thinking’ on how the public sector can respond to changing customer expectations. Because these responses will inevitably vary according to context, we are not seeking to define solutions. However, as an advisor to public sector organisations around the world, we have drawn on our own experience, as well as on the views of public sector stakeholders, to identify five key enablers for delivering on the customer promise.

We hope that this paper provides readers with a stimulating foundation for debate and further investigation.



Wim Oosterom
Global Government Leader

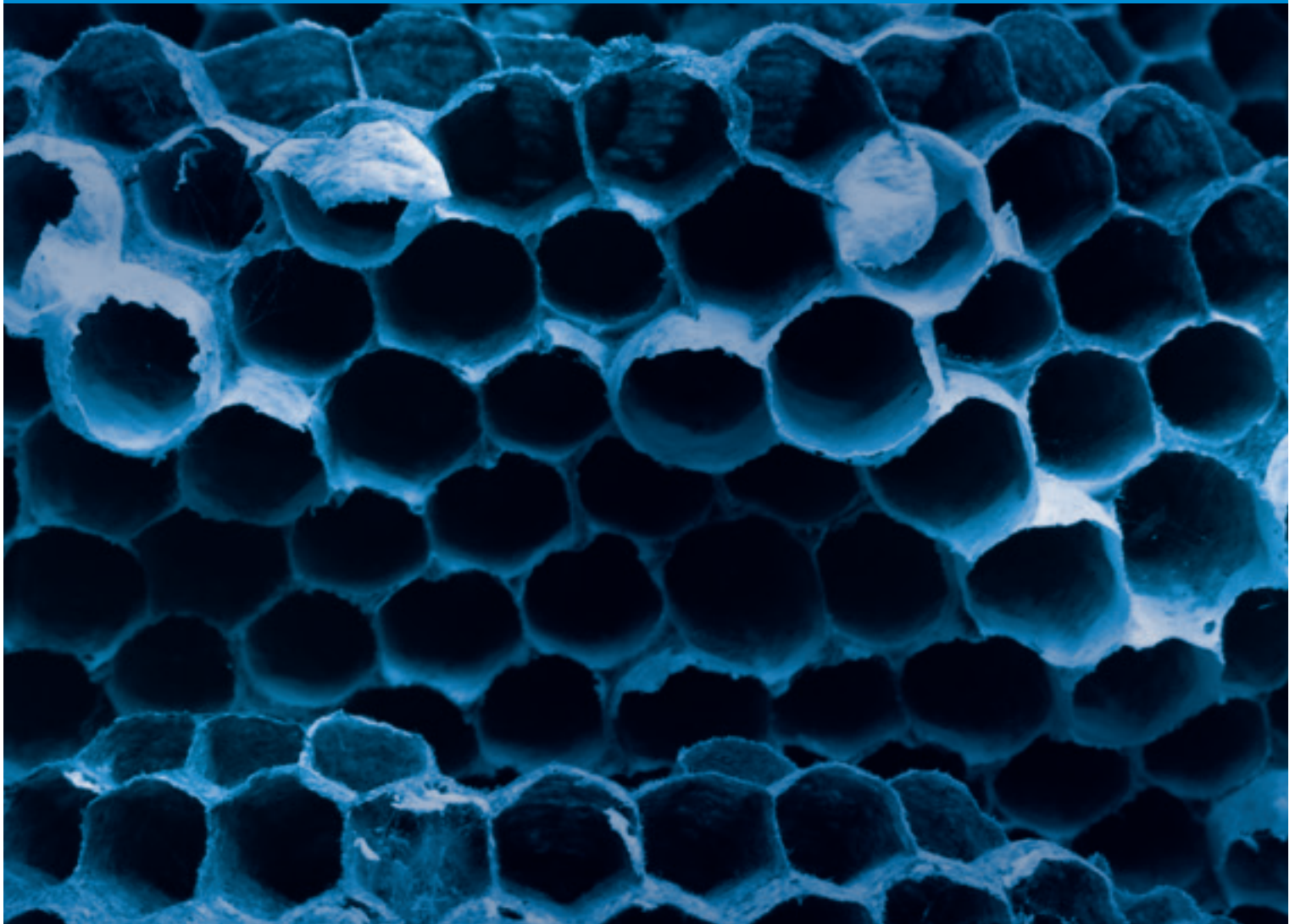
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01 Executive summary

‘Government has to fit the rhythm of life of the people.’

Jean-François Copé, Minister – Budget and Administrative Reform, France



Meeting customer expectations calls for a customer-centric approach – one that is built upon integration between public sector agencies and that leverages technology and, where relevant, private sector expertise to develop new public service delivery models.

Reforms in the public sector aimed at improving service delivery have received considerable focus during the last decade. Global trends such as rising customer expectations, budgetary constraints, global competition for investment, public sector reform programmes and changing demographics have transformed the environment in which the public sector operates. This, in turn, has broken down old constraints and created new opportunities. Fundamental to the demand for better public services are the heightened expectations of citizens – expectations that transcend economic status, geographies and the different methods of funding, managing and delivering these services.

Driven by these changing expectations, the public sector is increasingly required to redefine its role, strengthen its customer focus and build integrated service delivery models. If they are to realise the desired benefits, these models must be based on meeting customer needs more efficiently and more effectively.

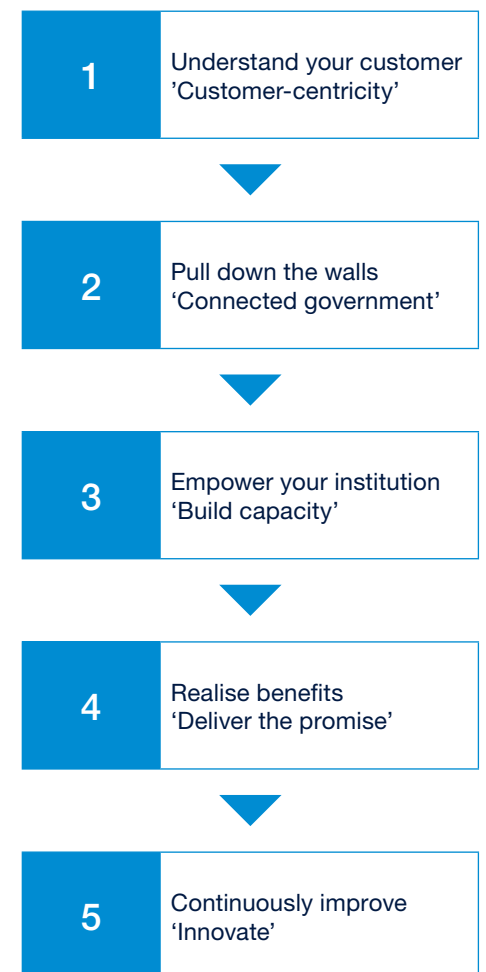
This means keeping the customer's needs at the core of every decision, from strategy formulation and design through to execution. Government process re-engineering is often needed to put in place improved, value-for-money processes that will reduce waste and duplication, producing an effective 'customer journey' (the experiences a customer has when interacting with service providers).

There are many initiatives already underway which demonstrate how, in the right circumstances, effective public service delivery models can be developed by combining the complementary capabilities and cultures of the public and private sectors. Technology can also be a key enabler. The development of customer-centric models calls for customer insight, looking at customers' wants and needs (both demographic and attitudinal), in a holistic manner – distinguishing means and ends, focusing on improved customer journeys and measurable benefits, and understanding the strategic risks associated with various service delivery models.

Through our work with the public sector organisations across the world that have successfully embarked upon such transformations, we have charted a certain consistency of approach. This paper is based upon our experience of working with these organisations, supported by interviews with public sector leaders. The core message is that 'Delivering on the customer promise' is based upon five key strategic enablers:

- 1 Understand your customer – 'Customer-centricity'**
- 2 Pull down the walls – 'Connected government'**
- 3 Empower your institution – 'Build capacity'**

Five key strategic enablers for delivering on the customer promise



‘The importance of deploying a modern client-centric approach in public services is generally well accepted in the public sector and has become a goal. It’s a question of country competitiveness and attractiveness – civil servants are sensible to that. The challenges today reside in how you achieve that across all departments. It is also a continuous change process.’

M. Wiseler, Ministre de la Fonction Publique et de la Réforme Administrative, Ministre des Travaux Publics, Grand-Duchy of Luxembourg, January 2007

4 Realise benefits through appropriate models – ‘Deliver the promise’

5 Continuously improve – ‘Innovate’

Throughout this paper, which is closely structured around each of these five enablers, we explain the common trends and challenges facing public sector organisations, as well as using ‘real world’ examples to illustrate the diverse ways in which they are responding. The purpose is to provide readers with a broad-brush template for public sector reform aimed at enhancing service delivery. There are no instant solutions available - and no single correct approach.

1 Customer-centricity

For the public sector, the provision of customer-centric services is no simple task. A number of significant challenges need to be overcome. Services must be delivered on a wide scale. Customer journeys often interface with several different public sector agencies. Diversity issues must be addressed to take into account the unique attributes and channel preferences of individual customers. And a detailed understanding of the costs involved in providing these services must be developed. Customer-centricity will often also need to take account of internal customers – the public sector agencies that have to be integrated as part of

the drive towards enhanced service delivery. One of the core requirements for any customer-centric strategy is customer insight. In-depth knowledge about the customer can be drawn from various sources of data - demographic, behavioural, needs-based and attitudinal. Once assembled, this data is built into a joined-up ‘big picture’ of customer segments, providing a foundation for the creation of multiple service delivery channels aligned with customer journey needs. Other core elements in a customer-centric strategy include the setting of service standards that reflect customer-oriented measures, the creation and empowerment of ‘customer champions’ at different levels in the organisation, and the implementation of processes which ensure that customer insight becomes the driver for continuous improvement in service delivery. This enables the creation of multiple delivery channels, as well as the alignment of service delivery with customer journeys.

2 Connected government

Almost all public and private sector organisations have hierarchical structures. Within these structures, independent vertical units (or ‘silos’) are a common feature, necessary for administrative purposes. Removing agency silos, and creating connected government, does not necessarily imply wholesale government restructuring.

It does, however, call for the alignment of a common customer-centric vision with objectives, outcomes, information and process flows. In different organisations, key factors involved in the drive to build connected government will include building visible leadership at a strategic level, setting common goals (service standards) for connected government, focusing on the front end (where services are actually delivered), breaking down intra-agency silos before moving to dismantle inter-agency silos and putting in place an enabling policy and legal framework.

3 Build capacity

Delivering effective public services calls for multi-level transformation – changing the way public sector organisations think and act, how they view their roles, and how they share information between agencies, with businesses and with their customers. Five elements are integral to building this capacity:

- Strategy (performance improvement and process reform, aided by technology)
- Leadership (securing the understanding and support of top-level leadership)
- Organisational design (creating empowered institutions responsible for a pan-government focus on customer-centricity and connected government)

- People/Capacity/Training (focusing on the internal capacity-building that is needed to manage the transformation, managing talent and training public-sector people to respond to changing customer needs)
- Culture (change management throughout the organisation is the key to a successful customer-centric strategy).

4 Deliver the promise

To deliver the customer promise, the overall goals of public service delivery must be clearly understood. These are quality of service (the accessibility, timeliness and calibre of service levels); cost of service (the drive towards value for money); and customer segmentation (the need for different service channels and service offerings based on comprehensive customer insight). The first step towards delivering the promise is to clearly define the role of the public sector organisation – whether this be policy-maker, regulator or service provider. This calls for close scrutiny of the division between its ‘sovereign’ function (implementing policy) and its ‘non-core’ function (undertaking activities which in some cases could be handled equally well, or better, by third parties). Careful evaluation of how technology will help to meet overall goals is needed, with eGovernment being recognised as an increasingly essential medium for service delivery.

‘If governments do not succeed in enhancing the competitiveness of the public employer in the labour market, the possibilities for recruiting highly-qualified personnel to public organisations will diminish dramatically.’

OECD ‘Public sector – an employer of choice’ Report on the competitive public employment project by Kirsi Aijaila.

The use of collaborative partnerships (whether Public-Private Partnerships, Public-Voluntary Sector Partnerships, shared services or outsourcing) should be carefully considered. Where any of these are selected, assiduous risk management is a priority, achieved through clearly-defined goals, fixed time-frames, continuous performance monitoring, risk sharing, flexible partnership agreements, expectation management and awareness of any challenges arising from ethical impacts.

5 Innovate

Innovation and continuous improvement are essential to the sustainability of public sector transformation. However, some public sector organisations have resisted the concept of innovation, believing that it is more relevant to the private sector. There has sometimes been a perception that, because the public sector was not operating in the same competitive environment, it was therefore not subject to the bottom-line criteria for success or failure which drive private sector innovation. With this clearly no longer the case, public sector organisations need to capture

best practices from other organisations (in both the public and private sectors) to drive innovation. Benchmarking can play a useful part in this process, helping organisations to understand which aspects of their service delivery will benefit from innovation, as well as how best to document and adopt new approaches.

Structure of the paper

This paper is divided into two sections.

Section I defines what we refer to as 'The burning platform' (ie the reasons driving the need for a change in the nature of public service delivery).

Section II presents the approaches public sector leaders need to consider when addressing the challenges they face in making public service delivery efficient and effective – 'Getting it right!'. Within each section, chapters conclude with short 'Nutshell' summaries of key messages, signposting readers through the paper.

02 The burning platform

Drivers for change

‘The reality of the public sector today is that it is assessed by the efficiency of its service delivery. No longer is the effectiveness of the public sector measured by the revenue it generates or the employment it provides...’

R Chandrashekhar, Additional Secretary, eGovernance, Government of India



Driven by growing customer expectations, the efficiency and effectiveness of public service delivery are increasingly seen as key metrics of public sector performance. Addressing this issue is therefore a stated priority in most countries.

Many countries have undertaken public sector reforms to improve the quality of public service delivery. However, while the demand for better services is a common factor, the spectrum of expectation varies from country to country. Hoped-for improvements in customer experience and outcomes span seven key areas:

- **Speed** – The time taken to deliver a service should be the shortest possible for both the customer and the organisation delivering the service, right first time
- **Engagement** – The manner in which services are delivered should be seen as customer-centric (ie participatory and trustworthy with the customer's needs at the core)
- **Responsive** – There should be an 'intelligent' mechanism in place to address any variation in meeting service levels and to drive changes in the service delivery organisation
- **Value** – The customer needs to believe that the service delivery mechanism is cost effective, and value is driven by customer outcomes, not organisational processes
- **Integration** – The service delivery mechanism should be integrated. There should be no 'wrong door' policy for the customer
- **Choice** – There should be multiple channels for service delivery, so that customers can have 'channels of choice', depending on specific needs at specific times

- **Experience** – Personalisation of service is necessary to ensure that customers' experiences are on a par with what they are used to receiving from the private sector.

Why focus on service delivery?

Customer awareness

Citizens today are more aware of their rights, have better access to information on public services and consequently have higher expectations of service levels. Because they have become accustomed to capable private sector organisations providing high levels of customisation and other benefits, they are not prepared to accept that public sector organisations are incapable of improving their own service delivery. They also expect a positive customer experience and better returns on the taxes they pay. Further, a number of countries have empowered citizens with 'Right to Information' legislation leading to heightened awareness about customer rights and, consequently, customer service.

Budgetary constraints

Reduced budgets for investing in public sector service delivery are the result of various factors. Higher budgetary allocations towards pensions, education and health¹ in many countries are undoubtedly one of these factors. At the same time, it is becoming increasingly difficult for many governments to fund the public sector by increasing taxes – partly because of resistance to this route, and partly because, in a globalised society,

Ipsos MORI Findings – UK

Findings of the research conducted by Ipsos MORI Social Research Institute on customer services include:

1. Despite real improvements having been made, customer services may still be lagging expectations
2. People are keen to be treated by the State as customers
3. Customer expectations include Speed and Authenticity. They expect services to be personalised to more diverse lifestyles, allowing Flexibility and Choice.

Ben Page

Chairman Ipsos MORI Research Institute

¹ Serving the 21st Century citizen: The Global Perspective

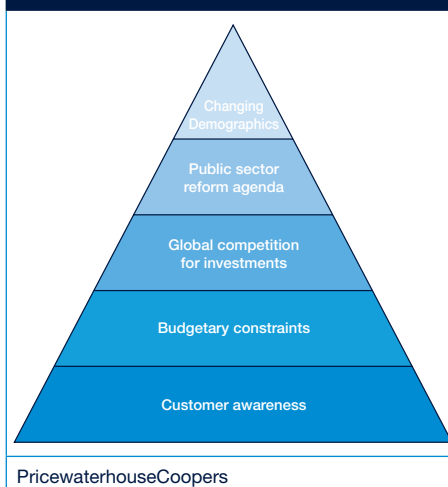
many of the people/businesses who pay the bulk of these taxes are more mobile than ever before.

Tightening budgets and the need for value for money with respect to tax payments by citizens/businesses are forcing governments to address the issue of public service delivery. In many countries, changes have been introduced, aimed at ensuring that the public sector performs under two key metrics: (a) quality of service – accessibility for all and satisfactory customer experiences and outcomes, and (b) cost of service, leading to ‘value for money’.

Greater accountability and transparency

The heightened role of the media and social activism have combined to create greater demand for accountability and transparency. However, the issue of accountability is particularly complicated for the public sector. When things go wrong for public sector organisations, it can often make front-page news – instantly transforming a management issue into a political problem. The figure opposite presents findings from the World Bank on the status of public sector effectiveness, where accountability and transparency are both important measures. The study underscores the need for most nations to do a lot more to address this critical design element of effective service delivery.

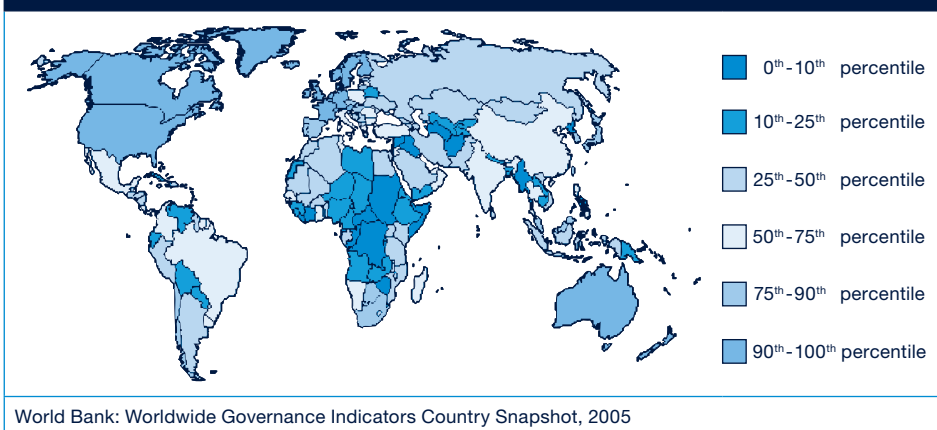
Figure 1: Drivers for change



Drive for competitiveness

Attracting investment to fund economic growth is a priority for most countries. Increasingly, investment fund managers regard the efficiency of the public sector as one of the factors in evaluating the investment destination. In this context, the cost of doing business becomes an important measure of public sector efficiency. Ensuring reduced cost calls for a balanced approach which is aligned both to the needs of the customer and to realising greater efficiencies in service delivery. Thus, global competition for ‘investments’ as a means for economic growth is also driving the agenda for reforms in public service delivery.

Figure 2: Government Effectiveness Benchmarking



Public sector reform agenda

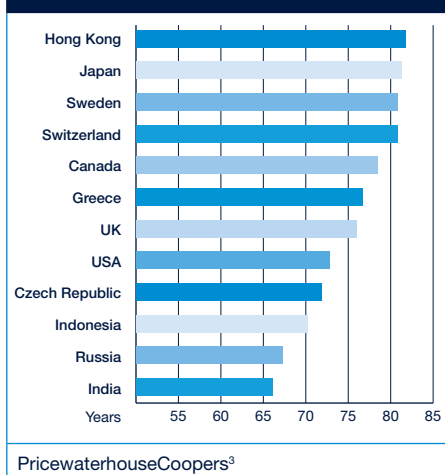
Many governments, especially those in the least developed and developing countries, face a common need to meet the United Nation’s Millennium Development Goals². The achievement of Millennium Development Goals is closely related to the effective delivery of public services. This necessitates improved public sector performance. Consequently, many of the funding programmes of multilateral and bilateral institutions are contingent upon these governments’ willingness to modernise their public sector service delivery capabilities.

Changing demographics

Governments in many countries, especially developed ones, need to respond to the impact of changing demographic trends – in particular the rise in ageing populations

(see chart opposite). This will, over time, result in reduced working-age populations, placing greater pressure upon smaller numbers to produce the wealth needed to support living standards. It is also already adding significantly to the costs

Figure 3: Average life expectancy in years



2 The United Nation’s eight Millennium Development Goals (MDGs) range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015.
 3 PricewaterhouseCoopers – ‘Key trends in Human Capital: A global perspective’, 2006.

associated with caring and providing for old-age dependency groups.

Higher life expectancy in existing mature economies is a reward for economic success but, equally, a threat to the future sustainability of that success.

As we explain in the next section, fundamental to the public sector's response to these change drivers will be an evaluation of its roles as a 'policy maker', a 'regulator' and a 'provider' of public service. Greater clarity over each of these roles would help to pave the way to organisational transformation and changes to core business processes. It would also result in the development of service delivery approaches and models that forge partnerships with the private and the voluntary sectors, drawing on their complementary capabilities and cultures.

In a nutshell

A number of common challenges requires the public sector to re-assess its role in public service delivery. They are:

- Changing demographic profiles and increasing customer expectations of the public sector
- Citizens and users of public services are now more aware of their rights and – with the heightened media and social activism – demanding greater accountability and transparency
- Already under pressure to deliver, the public sector is also facing budgetary constraints, with higher taxes often no longer an option
- Externally, there is global competition among various economies – developed and developing – to attract investment and this is compounded by the public sector reform agenda being prioritised by most governments

03 Getting it right

Understand your customer: 'Customer is king' in the public sector too

'The Government will only come to full fruition through major organisational change in administration, and by equipping civil servants with the right skills. This is a long road; it will take time, it will take persistence, and on this road there is a very important signpost. It reads: eGovernment is not about technology, it is about people; it is about putting the citizen in the centre.'

Viviane Reding, Commissioner for Information, Society and Media, European Commission
Speech given at Ministerial eGovernment Conference 2005



Customer focus is often challenged by public sector cultures, hierarchical organisational structures and differing agency priorities. Overcoming these challenges means aligning agency priorities to customer requirements to deliver a customer-centric strategy.

Private sector organisations seek to differentiate themselves by providing their customers with unique and personalised experiences. More than ever before, ‘the customer is king’ and the same dictum applies to public sector organisations as they seek to provide enhanced services in return for taxpayers’ ‘investments’.

Our experience shows that public sector organisations are rising to the challenge of offering each citizen a better customer experience. For example, some countries have adopted a ‘customer champions’ approach, while others undertake specific customer satisfaction surveys to assess the performance of their public sector organisations. However, they often face some significant additional challenges – notably their scale, which means that customer ‘journeys’ interface with various agencies, as well as the need to deal with people as individuals possessing unique attributes, degrees of need, different channel preferences and complex living environments.

Although these pressures have always been a fact of life for public sector organisations, they have increased significantly in recent years. As a result, one-size-fits-all models for service delivery are being phased out and new models introduced.

The public sector is increasingly expected to run itself effectively, efficiently and in a customer-centric manner, importing key private sector concepts where appropriate – and this means aligning every action/strategy towards a meaningful customer experience. While the customer must sit at the centre of service-delivery strategy, the preferred implementation approach needs to take into account the ways in which public sector organisations are structured. In particular, hierarchical, ‘siloed’ structures can present a major challenge to the delivery of customer-centric services across all agencies within an organisation.

To become truly customer-centric, public sector organisations need first and foremost to gear their cultures towards serving the customer. That means aligning agency and customer priorities. It means understanding the complexity of different customer groups and providing them with a choice of channels and interfaces via a demand-driven model – the more customers that there are, the more channels they tend to use according to the level of support and guidance they need. It means addressing agency silos so that customers can be served effectively through a single point of contact. And it means using truly customer-centric metrics to motivate staff.



The Google philosophy: Focus on the user and all else will follow

From its inception, Google has focused on providing the best user experience possible. While many companies claim to put their customers first, few are able to resist the temptation to make small sacrifices to increase shareholder value. Google has steadfastly refused to make any change that does not offer a benefit to the users. By always placing the interests of the user first, Google has built the most loyal audience on the web. And that growth has come not through TV ad campaigns, but through word of mouth from one satisfied user to another.

Google Website: Corporate Information

Based on our experience of helping public sector organisations across the world to move towards best practice, we believe that a customer-centric strategy should incorporate the six elements identified on the previous page.

1 Using customer insight to inform effective customer segmentation

One of the common qualities of successful private-sector organisations is that they understand their customers. In order to serve them as effectively as possible, they segment their customer-bases according to various factors including demographic profile, age and economic status. This segmentation helps them to provide more personalised services. This is driven, to a large extent, by the fact that these organisations share a common objective – delivering profit to their shareholders. Satisfied customers are cheaper to serve, easier to deal with and more likely to keep coming back. Unfortunately, the public sector does not always have a common unifying objective – instead, a number of different objectives will tend to exist at intra-agency levels.

Another important aspect of effective service delivery is to understand the needs of citizens where the rectification and/or understanding of their problems is concerned. There should be

mechanisms in place for the handling and escalation of problems as they are identified.

In the public sector, in contrast to the private sector, it is crucial to understand the nature of the policy outcomes required – as well as the customer outcomes. Unlike the private sector, where the organisation is at liberty to define its customer segments, the public sector is required to service numerous diversified customer segments. It is therefore essential to develop clear policies to meet the needs of each segment.

The needs of these various segments can be quite distinct and will be driven by multiple factors, including demographic attributes such as age, education, income and more attitudinal factors such as beliefs, values and willingness/ability to engage with government. Understanding them all is critical to the development and implementation of a customer-centric service delivery strategy. Another challenge the public sector faces is that, unlike the private sector, where customers are treated differently according to their capacity to pay for services, the public sector is required to satisfy the rights of its entire customer base – equally and to acceptable standards. There needs to be a clear strategy for ensuring the inclusion of all the segments of society

that must be served. This subject is highly topical. For example, in the UK, the Disability Rights Commission (DRC) recently put organisations from across the public sector on notice after publishing the names of more than 60 public authorities which had failed to produce a disability equality scheme.

2 Creating multiple delivery channels

Communication between an organisation and its customers has always been the foundation of good customer service. But today, customers expect customer service to be accessible anytime, anywhere – and by whatever means of communication they prefer. Developing a real understanding of what customers want from the public sector creates an opportunity for providing services through channels that will best respond to their needs. Channels are a means for public sector organisations to deliver services to citizens and for citizens to access government through a variety of communication and delivery methods (for example, post, telephone, face-to-face, online, mobile, digital television, fax and kiosks). The delivery of services may be either directly through government or indirectly through intermediaries, such as voluntary organisations. In designing a channel strategy, care should be taken not to force customers in any one direction. Because of the diversity of their customer base, public sector organisations need to focus on creating

multiple delivery channels. Each of these will vary significantly, depending on the nature of the public service that is being provided – whether transactional (passport services, utilities or land records, for example), or closer to the services provided in health, education and law enforcement.

3 Aligning service delivery with customer journey (needs)

Customer-centric organisations that are considered to be highly responsive gain the trust and loyalty of their customers. Other considerations typically include:

- Organising delivery units around customer segments
- Designing the service delivery process from the customers' point of view, and using 'co-creation' (a new form of value creation where value is co-created by the organisation and the customer). Examples of how this is achieved are through responding to customer feedback and the involvement of customer segments in the development of services to achieve customer-centric outcomes
- Incorporating technology into the service delivery process
- Differentiating service to customers based on their needs and preferences

Putting the customer upfront – Department for Constitutional Affairs, UK

One example of customer-centric public sector strategy is the initiative of the UK's Department for Constitutional Affairs (DCA), responsible in government for upholding justice, rights and democracy. The government and public sector team from PricewaterhouseCoopers supported the DCA Director of Strategy in developing a consumer strategy for four areas of the civil justice system. The approach involved working with 3,500 court files, undertaking 40 focus groups involving 300 members of the public and conducting personal interviews with 140 members of the public and legal profession. In addition, a consumer experience survey was carried out among 2,016 members of the public. Outcomes of this work included publication of a preliminary report on proposals for a new law covering relationship breakdown, and a consultation paper on debt. Based upon feedback received, the DCA stated in its five-year strategy document published in December 2004, that 'we have for the first time talked directly to users and potential users of our services to find out what they think'.

Government and Public Sector - Customer-centric public services

Setting and measuring service standards – Canada

There are two predominant methods used by the Governments of Ontario and Alberta in Canada for setting and measuring service standards.

The first approach to setting and measuring service standards focuses on the operational aspects of service delivery. This is the approach used by the Government of Ontario where standards exist for everything from the maximum number of times a telephone should ring before a call is answered to the length of time a client should wait in line at a service counter. This method uses the public's service expectations as measured in 'Citizen's First' to both establish and meet performance targets.

The second method uses the measure of client satisfaction to determine how successful the organisation is at meeting the needs of its clients. The Service Alberta model, for example, sets service standards for each of the main drivers of service satisfaction, namely timeliness, courtesy, knowledge, fairness and outcome. From there, the percentage of citizens who express satisfaction with each of these drivers is measured, and the overall level of success is calculated.

(A Policy Framework for Service Improvement in the Government of Canada Service and Innovation Sector, Treasury Board of Canada Secretariat June 2000)

- Charging cross-functional teams with finding innovative 'connected' solutions to customer problems
- Offering a service guarantee with set and clear performance standards
- Creating contingency plans for possible failure points
- Deploying technologies to route callers to the most appropriate service
- Understanding customers' expectations of the experience for each contact channel.

4 Setting service standards

Greater customer awareness has resulted in a demand for more accountability and transparency, forcing public sector organisations to respond in a positive manner. One of the ways in which this can be achieved is through the passing of legislation setting out the customer's right to information and service standards that are mandated by law. This provides positive evidence of the public sector's desire to place its customers in a central position. Setting, measuring and enforcing customer-centric service standards for public services and agencies enables the evaluation of the public sector on customer metrics which have not hitherto formed part of public sector Key Performance Indicators (KPIs)

– (financial and non-financial metrics used to quantify objectives that reflect the strategic performance of an organisation).

To this end, it is important to establish service levels appropriate to each customer and his/her request. For certain routine requests, many customers prefer an automatic, but easy-to-obtain and accurate response, whereas the same customer faced with complex transactions demands a more personal, relationship-based approach. Organisations which are adept at balancing service levels for a variety of customers study information requests, notify frequently-recurring requests and analyse the degree of personal response required for each category of request. They also track customer outcomes and feed these back into the system.

5 Creating and empowering customer champions

For most organisations, the strengthening of customer relationships is a key challenge. By creating and empowering 'customer champions', organisations can address this challenge in two key ways: firstly, at a strategic level, by the establishment of a high-profile customer champion leadership role that focuses on the customer, and secondly, at the level of the front-line interface with the customer. This approach is

being followed in some government departments where officers act as a first point of contact for telephone enquiries, requests, and complaints, helping to deliver courteous and efficient service, providing comprehensive information and advice, and referring more complex enquiries to the relevant departments.

Having a specific and senior appointment whose job it is to take a holistic view of the customer (as well as the intermediaries through which services often reach the customer), helps to ensure that the customer's perspective is represented when key decisions are made and policies developed. Naturally, the appointment of this customer champion leadership role needs to be accompanied by clearly defined management responsibilities, as well as by the empowerment needed to make things happen on the front-line.

In terms of what happens at the customer interface, customer preferences change over time and therefore many public sector workers view their association with a customer as a continually evolving relationship. All points of customer contact contribute to this relationship, whether face-to-face, call centre, internet and web- or paper-based correspondence. Because each of these contacts delivers information or services, it is necessary to connect them so the organisation can present a single face to the customer.

A common view of the public sector is that it is predominantly internally focused, with front-line personnel tending to reinforce this perception through their customer interactions.

Accordingly, the quality of customer-facing staff is critical. These are the front-line customer champions – the people who will foster a positive customer experience by thinking widely about each customer's needs. It is therefore essential that they should understand the importance of their role, as well as being provided with excellent customer-orientation skills.

6 Continuous improvement through customer feedback

Customer feedback is a powerful tool, not only for understanding customers' experience and satisfaction with public services, but also for developing strategies to improve those services. Although under-utilised in the past, feedback from both customers and front-line staff can help to ensure that service improvement strategies focus on those areas that will make the most difference to customers. Canada's 'Citizens First' initiative illustrates how this can work in practice (see p21).

Monitoring and benchmarking the Dutch building (and housing) inspection departments' service delivery

The Dutch building (and housing) inspection departments monitor and benchmark customer satisfaction levels for the services provided.

For every customer at each stage of the process the customer satisfaction is monitored by survey using an internet application with the results scored along two axes - customer satisfaction and customer value. In terms of delivering the 'customer promise' it is crucial the service delivers customer satisfaction for those aspects customers value the most. The internet application is an efficient and client orientated tool which makes it possible to continuously monitor service delivery. Analysis clearly shows that customer satisfaction in the initial stages highly correlates with customer satisfaction and perceptions of overall value later on.

Balancing their understanding of building regulations and customer priorities assist the building (and housing) inspection departments identify service gaps and implement performance improvement.

Government of the Grand-Duchy of Luxembourg, Continuous consultation process

As a means of improving relationships between stakeholders, tripartite consultation can be particularly effective.

In Luxembourg, this process (bringing together employer, labour and public authority representatives) was developed in response to the country's iron and steel crisis. There, the law of 24 December 1977 institutionalised a 'Tripartite Coordination Committee', to be convened if the economic and social situation deteriorated. Over the years, a number of sectoral tripartite agreements were negotiated. The tripartite system rapidly developed from an effective crisis management tool into a consultation mechanism that systematically seeks consensual solutions to economic and social problems that do not necessarily constitute a crisis.

This form of tripartite consultation is not restricted to Luxembourg. In Ireland and the Netherlands, for instance, comparable models were set up during the 1980s.

Other ways of achieving improvement through customer feedback include:

- Distinguishing the organisation through compelling customer service and support
- Employing feedback and measurement systems to better understand and serve customers
- Personalising the organisation-to-customer relationship
- Proclaiming customer satisfaction as the organisation's top priority
- Engaging all customers in the feedback process through effective use of surveys
- Augmenting customer feedback with other pertinent measurements and analysis
- Motivating employees to embrace customer satisfaction and customer outcome responsibilities.

The questions listed alongside are intended to provide a reality-check – helping public sector organisations to understand how prepared they are to provide the customer-centric services that their customers increasingly require.

Table 1: Does your organisation provide customer-centric services?

- 1 Do you have clarity on your customers' needs and preferences?
- 2 Is access to your organisation and information straightforward?
- 3 Is the customer dealing with numerous hand-offs and with too many agencies to solve the enquiry?
- 4 Is the customer getting effective support from your organisation?
- 5 Are those customers with specialist needs getting the right support?
- 6 What are the first-time resolution rates?
- 7 Is your organisation leveraging efficiency to redeploy to front-line services?
- 8 Are the employees motivated and equipped with the right tools for delivering an excellent service?
- 9 Is your customer service function fit for the future challenge?
- 10 Do you have the capability to track the benefits of change?

In a nutshell

- Customer focus is often challenged by public sector culture, hierarchical organisational structures and differing public sector priorities
- Agency priorities need to be aligned to customer requirements to deliver a customer-centric strategy
- Key elements of a customer-centric strategy include:
 - 1 Using customer insight to inform effective customer segmentation
 - 2 Using multiple delivery channels
 - 3 Aligning service delivery to customer life-cycle
 - 4 Setting service standards
 - 5 Creating and empowering customer champions
 - 6 Continuously improving through customer feedback

Canada's 'Citizens First' initiative

In April 1998, the President of the Treasury Board presented to Parliament the government's new 'outside-in' citizen-centred approach to Government of Canada service delivery. The Canadian Centre for Management Development's Citizen-Centred Service Network, composed of 220 senior service delivery officials from the three orders of government in Canada, produced the 'Citizens First' report. This documented Canadians' expectations of, satisfaction with and priorities for service improvement. Through 'Citizens First', Canadians indicated that they want:

- a) Improved access to government services; and
- b) Improved service delivery performance.

In the Autumn of 1998, they created the Assistant Deputy Minister Advisory Committee on Service and Innovation (ACSI) to help develop a citizen-centred service strategy for the Government of Canada that would respond to citizen needs. Using research into good practices in the public sector, the sub-committee developed its approach to the continuous improvement of Government of Canada service quality. Currently, departments and agencies have implemented client surveys to measure client satisfaction and much work has been undertaken to develop service standards. The Service Improvement Initiative facilitates this work by establishing an overall strategy for the Government of Canada, including individual departmental Service Improvement plans, to respond to citizen priorities for improving service delivery.

(Government of Canada: A policy framework for service improvement)

04 Getting it right

Pull down the walls: Agency silos to give way to connected government

‘Integrated and coordinated government is of fundamental importance since it holds the key to unlocking effectiveness and efficiency in service delivery. It has the potential to remove unnecessary duplication and improve the use of scarce resources... it also contributes to better communications in highly-complex organisations.’

Geraldine Fraser-Moleketi, Minister of Public Service and Administration (South Africa)



Connected government is not just about ‘government restructuring’. It also calls for the implementation of a common vision, supported by integrated objectives, outcomes, information and process flows.

In May 2006, PricewaterhouseCoopers and the Economic Intelligence Unit (EIU) conducted a survey of 252 financial services executives⁴. When asked to identify key obstacles standing in the way of becoming more customer-centric, respondents pointed to lack of data-sharing across products, business units and customer channels due to various structural and technology challenges. As a result, their customers were required to resubmit the same information to the organisation on multiple occasions.

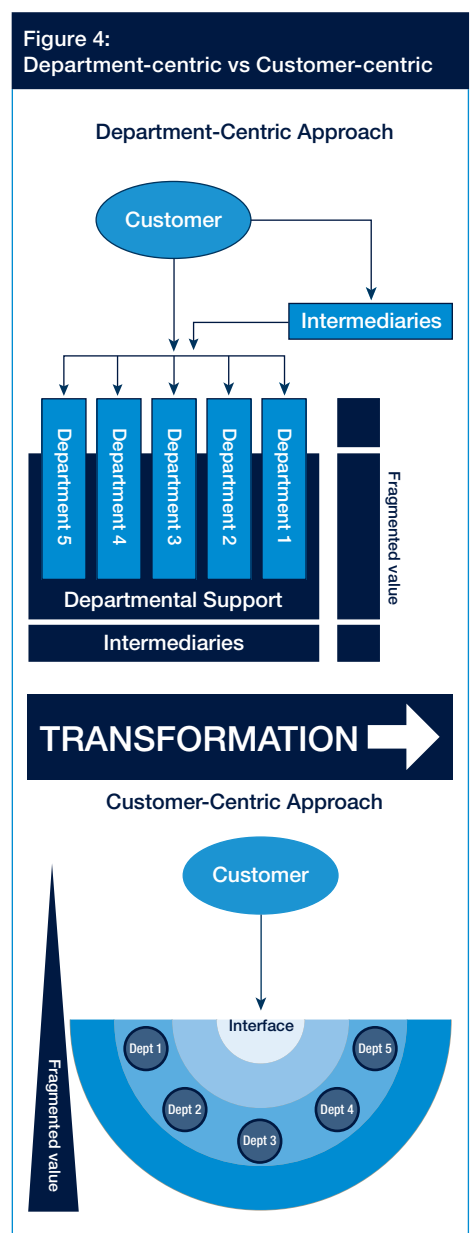
This issue is no less of a concern in the public sector. In a report commissioned by the UK Chancellor of the Exchequer, and published in December 2006, Sir David Varney highlighted the need to transform customer service delivery in government, saying, ‘it is often the most vulnerable citizens who have to do the most joining-up between the public service islands and much of it could be avoided with more collaborative service delivery’. This report makes recommendations for strengthening public service delivery in the UK, including developing a Change of Circumstances service over the next few years, starting with bereavement, birth and change of address.

Many public sector organisations are predominantly hierarchical in structure. This means that, to an extent, there can be a disproportionate focus on keeping control of resources and defending individual ‘territories’. This approach does

not necessarily sit comfortably with the collaboration and commitment which constitute the baseline for customer-centricity. Making the transition is no easy task. When seeking to break down hierarchical structures, the emphasis should be on how to make agency silos more networked, rather than abandoning them altogether. This means addressing the silos which exist within individual public sector organisations and the following section describes the importance of integrating public sector agencies – that is to say, the concept of ‘connected government’. It further provides a strategy that can be followed in order to realise connected government, based on our experience of working with public sector organisations.

Integrating public sector agencies: ‘Connected government’

Figure 4 sets out what is involved in integrating public sector agencies to deliver customer-centric services. Connected government means the seamless integration, or joining up, of various agencies to provide services which are aligned to the complete customer journey – and not to the dictates of agency silos. It does not mean complete government restructuring. But it does mean adopting an integrated approach for information and process flow at the back end and front end to help enhance the effectiveness and efficiency of service delivery.



Source: Adapted from PricewaterhouseCoopers study for a G2B business portal in India

4 PricewaterhouseCoopers report: ‘Winning the battle for growth: Building the customer-centric financial institution’, 2006

Key elements of strategy for a connected government

1

Visible leadership at a strategic level

2

Common goals for a connected government – service standards

3

Focus on front end of public service delivery

4

Breaking down intra-departmental silos

5

Enabling regulatory and legal framework

A good example of this approach is the concept of Large Taxpayer Units (LTUs)⁵. The classic LTU monitors large taxpayers exclusively through registration, tax accounting, collections, auditing, and taxpayer service provision covering more than one type of tax. It allows multiple public sector agencies to come together to service customers, blurring the agency silos without affecting agency structures. LTUs have facilitated major tax policy reforms, such as adoption of VAT, as well as the reform of administrative procedures, including implementation of self-assessment, modern auditing, electronic filing of tax statements, and the functional organisation of work. They have been established in different forms in around 50 countries worldwide.

In moving to connected government, the pace and order of change are both key factors. The optimal route is to start with understanding customer needs – redesigning the front office to interact effectively with the customer and realigning the back office to effectively deliver through the front office, before attempting to address the integration of individual agencies.

Building connected government

We believe that a successful connected government strategy should be founded on the following five elements:

1 Visible leadership at a strategic level

Embedded siloed structures sit at the heart of many public sector organisations. This means that attempting to introduce integration in these organisations is a complex and demanding exercise. If connected government initiatives are to succeed, it is essential to have robust commitment to change at the highest organisational level. If they are to take the appropriate decisions needed to guide their organisations through the planned transformation, leaders must fully understand what is meant by ‘eliminating agency silos – both internal and external’. Committed top-level leadership ensures clarity of goals. It needs to be recognised that, because it is necessary to first of all secure the support and buy-in of various stakeholders, ‘reform by stealth’ is not an option when one is attempting to make fundamental changes in customer service delivery.

2 Common goals for a connected government – service standards

If a number of government agencies are to be involved in service delivery in an integrated manner, the need for common service standards is paramount. Implementing and adhering to specified service standards enables

⁵ The Challenges of Tax Reform in a Global Economy, Andrew Young School Annual Conference on Public Finance Issues, 2004 Georgia State University

the seamless integration of various government agencies by ensuring dynamic and uniform information and process flows, as well as better customer journeys.

3 Focus on the front end of public service delivery – quick wins and visible improvement

Achieving the ultimate objective of connected government takes time. The process through which this takes place should therefore be seen as incremental – not dramatic. Bearing in mind the relentless pressure they are under to meet customer expectations, public sector organisations should focus first on improving front-end service delivery capabilities, before tackling back-end processes. This is where technology can play the role of an enabler, by ‘allowing things to happen’, facilitating connected government through improved data sharing and collaboration in service delivery. In the UK, the ‘Transformational Government – Enabled by Technology’ strategy, published in 2005, provides a good example of how this works in practice. The strategy sets out how the effective use of technology in delivering services designed around the needs of citizens and businesses can make a real difference to people’s lives.

The integration of front-line services has a visible impact on the customer and also aids the rapid realisation of benefits. These quick wins play an important part in maintaining top leadership support for change initiatives.

4 Breaking down intra-agency silos

Internal efficiencies are realised by reengineering government processes in line with the overall objective of connected government. As part of the next step following integration of front-line service delivery, it is important for the public sector to eliminate intra-agency silos (for example, in many countries, there are multiple agencies responsible for direct taxes and indirect taxes, although the customer base is the same for each). Naturally, this challenge gets compounded when inter-agency silos are being broken down at the same time. Strategic leadership plays an important role in mediating and resolving the issues that arise during inter-departmental public service delivery integration.

5 Enabling regulatory and legal framework

Information-sharing capabilities must be put in place. But it needs to be understood that the sharing of data across the public sector is

Service Ontario – Breaking down the traditional silos

Canada has been a pioneer in experimenting with new organisational structures that break down traditional silos. A number of provinces have created new ‘retail organisations’ which have assumed responsibility for transactional services.

Service Ontario is a project geared to providing routine government information and services to the public in convenient and user-friendly ways. The goal is to have driver and vehicle licences, outdoor cards, health cards, and replies to general enquiries delivered through a variety of channels, including publicly-accessible terminals, via telephone, the internet, mall, and over-the-counter.

(Ontario’s New I&IT Strategy – A new Governance and Management Model Article by D Scott Campbell in Canadian Government Executive Magazine Issue 4, 2000)

Integrated deliverer of services – E-Biz, India

The vision of E-Biz is to transform India's business environment. This is to be achieved by providing efficient, convenient, transparent and integrated electronic services to investors, industries and businesses across all forms and procedures, approvals, clearances and permissions, reporting, filing, payments and compliances throughout the industry lifecycle. Central to what E-Biz looks to achieve is a radical shift in service delivery to business communities – from department-centric to customer-centric. The initial stage of the project envisages the integrated delivery of 25 services provided by 14 central, provincial and local governments.

no small undertaking. 'Territorial' resistance is likely. Legacy technology interfaces and privacy laws can inhibit connected government. And upfront investment may be needed to ensure that processes are reengineered satisfactorily. This is why an enabling regulatory and legislative framework, together with supporting budgets for cross-agency transformation, have an important part to play. Budgeting issues will inevitably arise, particularly so where departments are being asked to fund new cross-agency initiatives. Recognising that there can be inevitable time and cost overruns, as well as over-optimistic expectations, many governments (in, for example, the UK, the Philippines, Sri Lanka, Turkey, Korea, Ireland and France) use some form of central contingency fund to support specific cross-agency projects.

At some point, for all organisations, transition to connected government means balancing the backlash from forced change with the slow process of making old systems redundant through the introduction of more efficient alternatives.

In a nutshell

- Connected government is not just about government restructuring. It also calls for the implementation of a common vision, supported by integrated objectives, outcomes, information and process flows
- Technology plays a key role in this integration. However, while the integration of technology is challenging, it is often easier than the integration of hearts and minds
- Key elements for a connected government strategy should include:
 - 1 Visible leadership at a strategic level
 - 2 Common goals for connected government – and common service standards
 - 3 Focus on front end of public service delivery – achieve quick wins and visible improvements
 - 4 Break down intra-agency silos before starting to break down cross-agency silos
 - 5 Put enabling regulatory and legal frameworks in place

05 Getting it right

Empower: Build capacity to deliver results

‘For our part, we must make sure that the people we employ have deeply embedded professional skills. The Professional Skills for Government agenda is the key to our strategy here.’

Sir Gus O’Donnell, Cabinet Secretary and Head of the Home Civil Service, UK



Public sector organisations today are under increasing pressure to deliver an increasingly broad and complex range of services – from motor licences and land records, to health, education and municipal services – in a manner that is timely, efficient, economical, equitable, transparent and corruption-free.

Delivering effective public services requires transformation at multiple levels – the way public sector organisations behave, how they view their roles, and how they share information between departments, with businesses and with their customers. On its own, change in the policy and regulatory framework will not achieve the desired results.

Despite their importance in promoting development and other reforms, capacity-building reforms have not received the sustained attention they deserve⁶. Process and organisational change are also needed, both within individual agencies and across public sector organisations, with the objective of empowering civil servants – as well as institutions – with the right tools for ensuring customer-centricity.

The ways in which public sector organisations create empowered institutions will be grounded in their own local political, fiscal and operational environments. This means that there will be a variety of approaches. At the same time, because innovation and experimentation are key elements of public services reform, different levels of maturity and trends will be apparent in different parts of the world – and at different points in time.

In terms of maturity, albeit not exclusively, reforms in industrialised countries are focused on welfare and social services and in developing countries on capital expenditure and government administration⁷.

In terms of trends, broadly speaking, the 1970s saw equal employment opportunity and affirmative action; 1980s the introduction of privatisation; 1990s the development of quasi-markets and separation of policy and implementation in government; and in the 2000s a focus on outcomes and applying a ‘whole-of-government’ approach⁸.

However, even allowing for these variations in maturity and trends, a number of common factors for success emerge that require a strategic and comprehensive approach to capacity-building. As the OECD, Government of the Future, says in part; ‘The challenge to government is moving away from opportunistic reform toward more strategic reform’.

Empower your Institution

Five key elements in building capacity

1 Developing a clear strategy



2 Leadership commitment



3 Organisational and process design



4 Technology



5 People and culture

⁶ United Nations Research Institute for Social Development – ‘Public Sector Restructuring: The Institutional and Social Effects of Fiscal, Managerial and Capacity-Building Reforms’ - 2000

⁷ United Nations Research Institute for Social Development – ‘Public Sector Restructuring: The Institutional and Social Effects of Fiscal, Managerial and Capacity-Building Reforms’ - 2000

⁸ CAPAM 2006 Biennial Conference – Presentation from Lynelle Briggs, Australian Public Sector Commissioner, on Fashion and fads in public sector reform.

‘The question for policy-makers is where to draw the boundary and position the right incentives and structures for the efficient provision of public services.’

Lynelle Briggs, Australian Public Services Commissioner

Technology enhancement is often identified as the principal engine for doing this. But this overlooks the key challenge – how to align institutions and people so as to deliver customer-centric services.

In addition, as public services become more complex and customers become more demanding, there is a growing risk that employees are not trained in the skills and supported in developing the fundamental competencies that they need in order to respond to changing circumstances.

This situation is aggravated by budgetary constraints, which can result in too much attention being focused on the process of change and under-investment in HR matters such as competency development, career planning, rewards and training (all factors that underpin the cultural change required in adopting new working practices so that they become sustainable for the organisation).

It should be recognised that customer-centric services cannot be provided or sustained without both structural (systems and processes) and cultural/behavioural changes taking place. For example, the mere deployment of trained front-office workers will not, of itself, improve customer interaction. They must also be empowered to take decisions that will help to improve customer satisfaction⁹.

Instilling this empowerment is perhaps the most critical challenge facing the public sector in its drive towards customer-centric service delivery. In many public sector organisations, despite a strong appetite for improvement and willingness to change, existing staff members lack the confidence or know-how needed to develop new models for service delivery. And this same lack of expertise, combined with the scale of many public services organisations, also acts as an obstacle when it comes to the implementation of new service delivery models.

Various factors contribute to the scale of this challenge. Activities in public sector organisations are often divided into hierarchical silos, which can sometimes create ‘territorial’ mindsets. Any changes to the people agenda will typically take a long time to put into effect. And, all too often, the focus for any change initiative will be on the front-office, meaning that the back-office is not aligned with the new strategy. As outlined above, the skills and competencies needed to manage the challenges of customer-centric organisations are sometimes in short supply and communication and incentives – both essential to efforts to break down resistance to change – are not always given sufficient prominence.

⁹ The Work Foundation – ‘Public Value Research’, 2006

Addressing the various factors needed to create empowered institutions to deliver public services calls for a comprehensive approach to capacity-building. This means focusing on the following:

This means focusing on the following:

- Developing a clear strategy
- Ensuring commitment from the leadership
- Organisational and process design
- Technology
- People and culture.

1 Developing a clear strategy

Policy-making

Comprehensively explaining the benefit of change – and its effect on the people that work in public sector organisations – is a fundamental issue within the boundaries of public sector transformation. Relating to the changing role of the public sector in society and also to the shifting roles of citizens/businesses and their influence on the policy-making process, the goals set by policy-makers and the instruments used in the policy-making process can both be important parts of the capacity-building strategy. A properly-aligned policy, which takes full account of the people issues involved (eg specific people and change management strategies), will lay a strong foundation for all subsequent initiatives – helping to create empowered institutions, changing organisational cultures and aligning roles to skills.

Better regulation

Legal frameworks can constrain public sector organisations as they seek to undertake the transformation needed to deliver on the customer promise. But they can also be strong drivers of change. European Directives, for example, impact on national laws in Member States, and this has a knock-on effect for public sector organisations, businesses and citizens within these countries.

The reduction of the administrative burden through better regulation is considered to be a key instrument for enabling efficiency improvement in public services. The European Commission has embarked on a major reform programme with its 27 member states to measure and reduce the administrative burden for businesses, citizens and within the public sector.

Long-term planning

With ever-changing customer expectations driving public sector transformation, it is imperative for every public sector organisation to set about identifying – and planning for – future trends in customer service requirements. Such planning supports public sector bodies as they seek to balance the tension between their obligations as enforcers or providers of last resort with the imperative to deliver value for money services to the majority of citizens. People development strategies must also be put in place as they are key to ensuring that the necessary capabilities

Aligning institutions to strategy – key to delivering results – India

Maharashtra, India, with Mumbai as its capital, is one of the economic engines of India's growth. In the last three years, the state has reorganised its sales tax department to ensure improved services for its 1m-plus customers. Early successes have flowed, in part, from 'key changes in the organisational culture and attitudinal behaviour of the department's hierarchy'. There were extensive stakeholder discussions, training programmes and regular communication on the ongoing changes to define the process as now envisaged. A strong business case for change was then prepared.

One major innovation involved a shift towards a cross-geography organisational structure. This enabled a complete change in departmental outlook. This has made the department more aligned to the needs of its customers, by moving the mindset from 'confrontational' to 'facilitative'.

B C Khatau, IAS, Commissioner of the Sales Tax Department,

‘Strategy is about making choices. The essence of strategy is choosing to perform activities differently.’

Michael Porter – Academic focused on strategic management

for delivering these new services are operating throughout the organisation.

2 Ensuring commitment from leadership

Involvement of senior management

In the private sector, there has long been a focus on good corporate governance and, in particular, the way in which top management is involved in informing the strategy decision-making of the board, as well as being responsible for strategy implementation. But in the public sector, senior personnel in central government often tend to focus much of their efforts on policymaking in response to political decision-making, delegating responsibility for implementing these policies and failing to take into account the end impact on ‘customer experience’ during their design. The governance challenge for public sector organisations is therefore to align and clearly define responsibility for setting policy and commissioning of services and the implementation and delivery of the same.

Often where there is a disconnect between the policy and delivery arms of some public sector organisations, the consequence is that policy is developed without proper consideration of how, on implementation, it will impact service delivery. This is borne out in the UK experience of capability reviews, introduced to provide honest and robust assessments of government

department future capabilities in three thematic areas – leadership, strategy and delivery - highlighting the need for stronger departmental boards, better connection between strategy and delivery and improved management of people¹⁰. Leaders of public sector organisations need to recognise this issue by becoming more involved in service design and delivery. This will also help set the ‘tone from the top’, demonstrating how success will be judged and rewarded from the cultural and capacity-building perspectives, as well as from a process perspective. This would provide a more strategic ‘helicopter’ view of the overall capacity-building process, helping to ensure the effectiveness and deliverability of reform.

Thought should be given to strengthening public sector governance to better balance the dual challenge of delivering performance and compliance. While strong leadership is obviously important, front-line staff and employees throughout the organisation must also be supplied with the various skill-sets they need to do their jobs effectively (for example, by providing line managers with the capabilities they need to assist in project managing change initiatives).

Decision-making

Decision-making in the public sector can often be distinguished by two key attributes – the complexity of the decision-making process (especially when

decisions impact a number of different agencies) and, in some organisations, a level of hesitation amongst public sector employees where taking ownership of a decision is concerned. Anecdotal experience suggests that in any large organisation, public or private, organisational scale and complexity can breed a 'not invented here' mentality. At the same time, the hierarchical aspects of such large organisations encourage people to 'cover their backs', while the layers of escalation can mean that ownership of any issue is lost.

In some public sector organisations, there may be a necessarily high level of emphasis placed on the process through which decisions are taken, particularly in the fields of regulation or enforcement. As a consequence, because decisions may need to pass through multiple levels of hierarchy, delays in implementation can sometimes be unavoidable.

3 Organisational and process design

Structure

In some countries, the public sector was specifically designed to be hierarchical and tightly controlled. This means that, if structures are to be transformed, fundamental changes will often need to be made to governance models. Changes in competencies may also need to be introduced at various levels within the organisation.

Some public sector organisations have addressed this situation by putting in place institutional structures designed to empower customer-centricity. One such example is the Institute of Citizen-Centred Services in Canada. Canadian public sector leaders attach a high premium to understanding citizens' preferences regarding service access channels, desired levels of quality and cost. This has had a significant impact on Canadian service improvement initiatives, leading to the development of channel strategies designed to encourage customers to access particular kinds of services in particular ways. This, in turn, provides the basis for service-level guarantees and predictable cost structures, meaning that these organisations have the information they need to steer customers towards the lower-cost channels, whilst still meeting their needs.

Government process improvement, 21st century technology and process innovations are often grafted onto outdated bureaucracies, which lock in the high costs of integration, and risk creating pockets of effective service delivery, rather than facilitating an integrated approach across the public sector. Overcoming the challenges of linking front and back office activities more effectively can be greatly assisted by technology – but this alone does not overcome the challenge of balancing vertical and horizontal working to deliver a more outward-looking approach in tune with the flexibility required of the

Aligning institution to customer-centric strategy Office of Management Assessment, National Institutes of Health, USA

In 1993, President Clinton issued an executive order challenging Federal agencies to improve customer service. The order tasked agencies to understand the customers' needs and then collaborate with front-line employees to align the delivery organisation to customer-centric service delivery. The goal of this customer-centric approach was to adopt a realistic, achievable strategy for improving customer service through organisational realignment and leadership commitment at the National Institute of Health. 'Setting Customer Service Standards' requires Federal agencies to:

- Identify customers who are, or should be, served by the agency
- Survey customers to determine the quality of services expected and their level of satisfaction
- Benchmark the delivery organisation's performance against the best in business
- Align the organisation's service standards to the customer-centric strategy and measure results against this
- Survey front-line employees on barriers to, and ideas for, matching the best in business
- Provide customers with choices in both the sources of service and the means of delivery
- Make information, services, and feedback systems easily accessible
- Provide means to address customer feedback; and
- Provide feedback to customers on the improvements that are being made.

(Customer Service Plan, Office of Management Assessment, National Institutes of Health)

Finland Tax Authority – using CRM to improve service

The Finnish taxation system is one example of a public sector organisation providing customer-centric services. Finland has developed a tax administration system with advanced user-friendliness for its citizens. Over 70% of tax payers receive pre-filled (ie pro-active) tax proposals from the tax authority and, where no changes need to be made, the documents need not be returned. If changes are needed, these can be entered by hand on the tax proposal form and sent to the local tax office before the deadline. For salaried employees, employers can send annual notifications electronically directly from their local payroll systems to the tax database. Not only is this electronic data transfer more convenient for the taxpayer, it also creates real savings (time and cost) for the service providers.

Danish Technological Institute report to the European Commission - 'European good practices back-office reorganisation', 2004

organisation. How this is done depends on the maturity and local circumstances of each organisation, but an important element is establishing a well-networked matrix organisation that empowers people to experiment and innovate, while at the same time retaining appropriate levels of accountability and risk management.

Empowering people involves reengineering the processes and systems within which public sector employees operate. The re-engineering of processes in the public sector is an important condition for the realisation of benefits, as well as for achieving the objective of developing customer-centric service delivery. For example, in India, computerisation of land records was initiated over 30 years ago. However, for some time, this did not result in any visible improvement in service (in terms of reducing the time taken to obtain a certificate of record of right or mutation). More recently, the focus has been on changing the underlying processes. This has dramatically reduced the time taken to issue certificates (from seven days to just one or two hours).

Process

Underpinning a well-networked matrix organisation requires re-engineering processes to enable and equip the various departments and people involved in service delivery to meet immediate customer demands and develop performance improvements and efficiencies. One of the major challenges

identified with the privatisation of public corporations lay in achieving efficiencies that can derive from processing customer cases right the first time, thereby avoiding unnecessary and time-consuming rework. In the utility sector, following the introduction of competition, reductions of workflow of up to 40% were achieved through re-engineering processes to simplify and reduce the level of errors and exceptions. For the large transaction elements of public service, for example tax collection, benefit awards and pensions administration, this continues to be a significant area of challenge.

This is particularly true in projects where the initial phases of transformation focus on providing eServices. The issues underlying re-engineering should not be underestimated. It is very difficult to turn staff-intensive and paper-based systems into automatic digital systems. This can be a major issue where the re-engineering is entrusted to the very staff whose roles will be threatened by the transformation. This combines with the systems integration challenge to complicate the delivery to stakeholders of integrated services.

4 Technology

Technology is not a solution in itself

The delivery of effective public services cannot be achieved via technology alone. Nor can it be achieved simply by imposing a policy and regulatory framework. It requires wider transformation. Research has

identified that piecemeal changes were found to deliver little benefit – rather, the key features of organising to improve performance in high performing organisations are around 1) Structure – decentralising, delayering and more project-based working; 2) Processes – investment in technology, communications and new human resource practices; and 3) Boundaries – outsourcing and alliances/partnerships¹¹. For example, in the context of customer-centricity, this means aligning technology, process, organisation, and people issues in all action/strategy towards providing a meaningful customer experience.

However, while technology should be used primarily as an enabler of transformation, we see an increasing number of public sector leaders trusting in it as a universal panacea for aligning public sector service delivery with customer needs. This overlooks the fact that, in the world of technology-enabled service, there is still no substitute for ‘old-fashioned qualities’, such as courtesy, friendliness and caring. An important aspect from the perspective of the citizen is the relevance and engagement with which services are delivered. This is particularly true for social services where personal contact is essential. Organisations that create distinctive service cultures are more likely to attract a wider pool of candidates from people who are genuinely inspired by the organisation’s service ideals. Their level of commitment to the organisation’s

objectives, combined with technology, helps to ensure the delivery of improved customer services.

The benefits of technology cannot be fully realised without re-engineering the wider processes involved in delivering a service. Desired changes in the quality of service delivery cannot be achieved simply by applying technology to inefficient processes.

5 People and culture

Skills and talent management

Reform of public services to deliver customer-centric services can only be achieved with the commitment of a highly-motivated, flexible, diverse and skilled workforce, capable of providing high-quality, personalised public services. If they are to implement innovative service delivery models, people require new skills. For instance, the implementation of collaborative partnerships for public service delivery requires public sector employees to be proficient in skills such as mediation, negotiation, contract management, risk analysis and strategic planning. Similarly, in the case of eServices (as evidenced by the failure or significant overruns and delays on a number of large scale technology programmes), government employees need to have a robust understanding of technology if

Measuring performance with respect to customer satisfaction– Canada

In August 2005, the Institute for Citizen-Centred Services (ICCS) was incorporated as a non-profit organisation in Canada. It is made up of leaders in service delivery and information technology from municipal, provincial and federal public sectors across Canada. ICCS is mandated to serve as a centre of expertise and a champion for citizen-centred service quality throughout the public sector. The agency uses a Common Measurements Tool (CMT), currently available for public sector organisations to measure client satisfaction and to identify specific priorities for improving performance.

Further, a secure and confidential benchmarking service based on the CMT client-survey results, enables public-sector organisations to compare their performance against others in the same business-line and to identify best practices. To provide additional help, there is a database repository of leading practices in citizen-centred public sector service delivery at all levels of government.

Institute for Citizen-Centred Services (ICCS), Government of Canada

¹¹ Professor Andrew Pettigrew, Warwick Business School – ‘Organising to improve company performance’, February 1999

Making Culture Change Happen – USA

When William Bratton was appointed police commissioner of New York City in 1994, turf wars over jurisdiction and funding were rife, promotion bore little relationship to performance, and crime was out of control. Yet in less than two years, and without an increase in his budget, Bratton turned New York into the safest large city in the nation. And the NYPD was only the latest of five law-enforcement agencies Bratton had turned around. In each case, he succeeded in record time despite limited resources, a de-motivated staff, opposition from powerful vested interests, and an organization wedded to the status quo. Bratton's turnarounds demonstrate what the authors call 'tipping point leadership.' The theory of tipping points, which has its roots in epidemiology, hinges on the insight that in any organization, fundamental changes can occur quickly when the beliefs and energies of a critical mass of people create an epidemic movement toward an idea. Bratton begins by overcoming the cognitive hurdles that block companies from recognizing the need for radical change. He puts managers face-to-face with operational problems. Next, he manages around limitations on funds, manpower, or equipment by concentrating resources on the areas that are most in need of change and that have the biggest possible payoffs. He meanwhile solves the motivation problem by singling out key influencers – people with disproportionate power due to their connections or persuasive abilities. Finally, he closes off potentially fatal resistance from powerful opponents.

– Extract from the Article: Tipping Point Leadership, Harvard Business Review, April 2003

they are to be expected to implement new IT initiatives. This requirement to generate new skills comes at a time in most economies when there is undersupply of the necessary highly skilled people to support this change and when significant numbers of skilled people in the public sector are retiring¹². This requires the public sector to take a focused approach to talent management, from recruitment through training and development, to appropriate reward and good management.

One of the barriers to effective service delivery is the lack of requisite skills. Compounding this, there may be no progressive career path available to employees, meaning that they are unlikely to be motivated in what they do. Making the public sector a preferred workplace can be a powerful driver for public sector empowerment and competency, encouraging motivated individuals to join – and remain with – the organisation. Public sector organisations have to compete with the private sector. This means creating environments in which the brightest and best of each generation want to work in public service. Staff must not be denied the opportunity to demonstrate their potential and should be given sufficient responsibility at an early stage. Incentives must be provided for innovation, collaborative working and excellent service delivery. Also, indicators need to be defined to measure the performance of all employees so that systems are meritocratic.

Irrespective of how much the public sector intends to outsource or take assistance from outside agencies, there should be a minimum capacity within the organisation to handle new initiatives. This is vital if management of these new models of service delivery is to be in any way sustainable. In recruiting to meet these challenges, public service employers need to:¹³

- Understand why people want to work in public services and focus on effective job design that recognises the motivations of potential recruits (other than through pay)
- Attract staff with the right skill-sets by building a positive, modern image of public services, with strong branding of the service values and ethos
- Collaborate with other employers to attract and retain staff and avoid 'fishing in the same pool', making the best use of a strong field of candidates and reducing pay escalation
- Retain skills in the workforce and use individual skill-sets effectively. For example, offering structured career progression, flexible working, use of support workers and secondments.

As part of the process of grooming internal talent to manage transformation, it is important to ensure that these personnel are alert to the targets that have been set for service delivery. All too often, these targets are centrally

¹² PricewaterhouseCoopers – 'The crisis in Federal Government succession planning', 2006

¹³ Cabinet Office – Pay and Workforce Reform policy, 2006

imposed, inadequately understood and, consequently, often unachievable. A report launched in September 2005 by the Social Market Foundation argued that the government's approach to setting targets needed to be radically reassessed. It highlighted the government's haphazard approach to data collection, the setting of targets without evidence and the designing of targets which were vulnerable to manipulation by public sector staff.

Change management

The use of innovative models alone does not guarantee the effectiveness or efficiency of public service delivery. Change management is a vital component of public sector transformation and critical to the success of the model.

Change management, in the context of the public sector, is all about how the transition from traditional approaches to modern and adaptive processes is to be managed in the context of continuously evolving challenges and customer responses.

Far-reaching public sector reforms can sometimes be introduced together in one package (for example, following the election of a new government). In these situations, what are fundamentally politically-motivated, decisions may fail to take into account the scale of the challenges that will be involved

in transforming age-old institutions, practices and mindsets. It is extremely important therefore, for decision-makers, at the highest political levels, to ensure that planned transformations of public service delivery are underpinned by a realistic roadmap for implementation.

Culture

In many vertically-structured organisations, individual employees may have little incentive to change their behaviours. This is because incentives such as promotion, salary increments, responsibility and increased authority are often not solely linked to performance, but may be time-based as well. Addressing these barriers to cultural change is an important issue – particularly so with public sector pay and benefits representing over 15% of GDP in most countries and with structural problems often reinforced through centralised decision making driving collective bargaining. The people who work in the public services are its most critical asset and they will not be deployed effectively if pay structures are not appropriate. It is critical to have the right processes in place to get the right answers. Decisions around paying and managing the people in public service are most likely to be right and reflect local market conditions if they are made by those managers closest to the service being delivered¹⁴ (ie those who understand the service and are accountable for it).

‘The truth is we have a common desire to improve the (public) services we offer. But that’s not really the issue. The issue is how we do it?’

Tony Blair, Prime Minister's speech on Public Service Reform – June 2006

¹⁴ PricewaterhouseCoopers – ‘Connecting Public Sector Pay to Service Delivery’, April 2006

‘I believe that organisations should be membership communities because I believe organisations are not things, they are the people who run them.’

Charles Handy – ‘Strategy and Business Interview’, 1995

Culture change is essential if management skills and specialist expertise within the organisation are to be enhanced. This means empowering individuals so that they are prepared to assume more responsibility, take more risks, and use their initiative to get things done.

Culture change in government, especially in the context of connected government, introduces new sets of competencies as additional challenges arise.

Existing competencies (such as policy formulation, budgetary control and other traditional government duties) may need to be supplemented by other skills such as contract management, risk allocation and management, forging collaborative partnerships, strategic thinking at senior and middle management level and team-building. For example, where public-private partnerships are being introduced, public sector teams will require additional capabilities if they are to manage these relationships effectively. Building such competencies is an important element of culture-change strategy and requires a significant focus on ongoing training.

Incentivise change

When designing new service delivery models, there may sometimes be an implicit assumption that everything needs to be changed. Under these circumstances, ‘completely’ new processes and systems are designed, independent of legacy structures. While this has its attractions, in that it provides

a decisive shift in practice and makes it easier to put a marker down for when change will happen, it can also increase resistance to change and reduce the likelihood of a successful outcome. Many public sector leaders, especially in developing economies believe that, instead of attempting to implement a ‘big bang’ transformation, organisations need to view change as an incremental and continuous process – one which builds buy-in and commitment on an ongoing basis. Recent research suggests that the ‘tipping point’ for change may not be reached for some time. Given these lead times, investment in any change programme should be viewed as an ongoing process. As part of this, it is important to ensure that there is some incentive for existing staff/managers to participate in whatever new service delivery models are introduced. This means including them, from the outset, in the new change process. Incentive schemes need to be designed around the specific issues raised by each new project, and developed locally, to have most impact.

When introducing good practices from either the private sector or other public sector examples, it is important not only to transfer the processes and technology learning, but also to bring in and tailor appropriate practices to manage the impact on employees, through an effective and flexible human resources strategy. There needs to be greater acceptance of the benefits

that can be realised by bringing private sector employees and private sector skills into the public sector. This calls for an understanding of the ways in which private sector expertise will fit into a public sector environment. For example, the retail sector does not have the same pay structure (or terms and conditions) for check-out staff as it does for management. The leading retailers are high performing and recognised to be 'good employers'. Through effective incentives (for example career management based on skills acquired, individual and team bonuses, rigorous performance evaluations and flexible working), retailers generally pay people fairly and provide good training and development. Provided that opportunities such as these are taken into consideration, valuable knowledge transfer should be achieved – not least in how best to incentivise public sector personnel throughout the transformation process.

In a nutshell

Key pillars for building capacity to deliver customer-centric public services are:

- Strategy
 - > policy-making
 - > long-term planning
- Leadership
 - > involvement of senior management
 - > understanding and support from political leadership
- Organisational and process design
 - > Creating empowered institutions responsible for pan-government focus on ensuring 'customer centricity' and 'connected government'
- Technology
 - > An enabler of transformation – not an end in itself
- People and culture
 - > Internal capacity-building important for managing transformation
 - > Focus on talent management
 - > Training to respond to changing customer needs
 - > Incentive schemes tailored to the specific requirements of each change programme

06 Getting it right

Realise benefits: Customer-centric models to deliver the customer promise

‘Collaboration is the key to the next generation of service delivery. The major challenge in collaborative service delivery models does not lie in contracting, but in changing the mindset of service providers. They need to see their relationship with customers as a partnership that begins with service design and carries through the entire service delivery cycle.’

Jeff Kalpan, Founder and Director of the Open ePolicy Group, and primary author of its ‘Roadmap for Open ICT Ecosystems.’



The exceptional corporations have come to grips with the tension between outsourcing and what they do in-house – as General Electric’s Jack Welch put it: ‘You shouldn’t have in your back office what’s in somebody’s else’s front office.’ Public sector organisations need to bear this in mind as they contemplate the introduction of new models for service delivery.

Throughout this paper, we have focused on the fact that public sector transformation is all about ‘delivering on the customer promise’. As we have discussed, this means using the right public service delivery model to achieve two fundamental goals: (a) quality of service (meaning accessibility for all and satisfactory customer outcomes); and (b) cost of service, leading to ‘value for money’.

Fundamental to the design of a customer-centric service delivery model will be the recognition by the public sector that, essentially, governments undertake two principal types of activities. These consist of ‘Sovereign’ activities – functions which only the government can perform (defence and foreign affairs, policy development and regulation, for example) and ‘Non-core’ activities - functions which the government is undertaking, perhaps by default, which could be handled equally well by third parties (service delivery, for example).

This recognition needs to be followed by the design of a service delivery model that allows the public sector to concentrate on its core functions (the definition of which will vary in different environments), while working with third parties where appropriate to undertake non-core activities. This thought process is akin to the ‘make vs buy’ decisions that the private sector has been taking for many years. Most successful corporations today

service their customers efficiently and effectively by building competencies in their core functions, while using technology and/or partnerships to deliver non-core functions.

For public sector organisations, ‘make vs buy’ decisions on the implementation of new delivery models should be grounded in clear assessments of overall aims and objectives (best defined in terms of targeted outcomes). Detailed knowledge of the relative abilities of the public, private and (in some countries) voluntary sectors is also needed to ensure that customer-centric service delivery can be assured. This calls for an understanding of market capacity and appetite, both of which will play a key part in creating a competitive environment in which innovative new delivery approaches can be developed.

The ‘make vs buy’ decision also requires the public sector to assess its internal capacity and capability in hitherto often underdeveloped areas such as procurement and contract management to ensure that it is in a position to successfully implement the chosen model.

‘We must understand how to partner with the private sector. Governments cannot bear all the burdens of development; the public-private-partnership model is a way to create development. Governments can learn a lot from the private sector.’

Judy Rogers, City Manager – Vancouver

Andalusian Regional Government – Customer oriented modernisation process

The Andalusian Autonomous community is a vast region comprising 8 provinces and more than 750 municipalities with a population of 7.5 million inhabitants. The Andalusian Regional Government has pursued the development, assisted by PwC specialists, of e-administration as a tool to get a more modern, flexible and participative administration. In effect, to put in place administration based on customer centricity and supported by multiple delivery channels. To do this, it set about redefining its strategy – comparing it with best practices elsewhere and inviting active shareholder involvement in the planned transformation.

The most relevant aspects of its new strategy include:

- involving public officials from different regional ministries in order to secure pan-organisational commitment
- Clear and concise methodology and work plans
- Internal and external communication strategies to ensure that citizens were informed and motivation and change management in the Andalusian public administration was sustained
- A steering committee was established to continuously monitor the different initiatives and evaluate results

As a result, this strategy involved the creation of a new model to assure efficient service customer delivery taking into consideration client segmentation, setting of customer standards, the development of a training programme for 'customer service' public servants and the promotion of a results-oriented culture.

Adopting the right model for service delivery

At this stage, it is important to note that not all alternative service delivery models can be applied across the board by every public sector organisation. Country-specific factors, such as the legislative framework, political environment and structure of government decision-making, can have a significant impact on innovations in service delivery. Additionally, issue-specific factors will need to be taken into consideration when identifying the models which will be best suited to existing conditions (for example, level playing-field issues apply in some countries which prevent governments from differentiating between the private and voluntary sectors).

It also needs to be recognised that, as public sector organisations start to redefine service delivery models, they will face challenges and dilemmas arising from having to deal with a series of contradictions. These include:

- Efficiency vs tailored personal service
- Consistency of delivery vs modifications needed for specific circumstances, geographies and/or ethnic groups
- Functionality of delivery vs relevant and engaging services.

These contradictions can be especially pronounced where technology change is being introduced. In particular where the

delivery of social services is concerned, technology should be viewed as an enabler of engagement – the public is increasingly looking for human contact.

The vital point is that services should have all the ingredients of consistency, clarity and transparency, while continuing to maintain a strong sense of relevance and engagement (the two key differentiators of public service, and of service more generally).

When designing new customer-centric service delivery models, public sector organisations should evaluate the ways in which each of the following can deliver the required benefits:

Technology-enabled services (eServices)

The use of collaborative partnerships – these include:

- Shared services
- Public-Private Partnerships (PPPs)
- Outsourcing
- Public-Voluntary Sector Partnerships (PVSPs).

The principal characteristics of each of these are discussed below:

1 eServices

The internet provides an opportunity for delivering high-quality public services at a relatively low cost, with minimum disruption to existing public sector organisational structures. There is a

caveat, however. Governments should be wary of digital exclusion – creating a gap between those with internet access and those without.

Properly implemented, e-channels will provide automated processes for streamlining services and delivering information without the need for more expensive interactions. They can give customers real flexibility in how, when and where they access services, as well as enabling other, more traditional channels (eg face-to-face) to focus on adding value to citizens/businesses by providing support and guidance – instead of having to cope with large volumes of requests for basic information.

eServices, provided via one-stop, citizen-facing service centres, can provide a solution to the challenges raised by siloed agency structures. By enabling a wide variety of government services and interactions (passport applications, road tax renewals, tax returns and change

of circumstances, for example) to be delivered from one point online, they integrate service delivery mechanisms which were previously the preserve of individual agencies.

Clearly, eServices have the potential to add significant value to the delivery of core public policy and services and the achievement of the quality and cost of service goals outlined above. However, obvious as it may sound, it should be remembered that their benefits will not be realised unless customers actually make use of them. Especially in developing countries, there will be challenges involved in ensuring that this happens. Additionally, some public services (personal health and social services, for example) cannot be substantially e-enabled, so this route will not be suitable for all situations.

The following table highlights some examples where the use of eServices has enhanced government service delivery levels.

Country	Type of government application	Number of days to process before ICT application	Number of days to process after ICT application
Brazil	Registration of 29 documents	Several days	20-30 minutes per document, one day for business licenses
Chile	Taxes online	25 days	12 hours
India, Andhra Pradesh	Land registration	7-15 days	5 minutes

Source: Evaluating Government Service: A customers' Perspective of e-Government (Subhajyoti Ray and V.Venkata Rao, India Institute of Management, Ahmedabad)

The French National Electronic Medical Record Project

'With the DMP, we are not so much interested in the major technological innovations that will be introduced than in providing French citizens and health professionals with value added services based on this innovative program' » (Xavier Bertrand, former French Minister of Health, in a speech delivered December 4th 2006).

The genesis of the DMP, the French National Electronic Medical Record Project, confirms an in-depth evolutionary trend within the French Public Administration, described as 'the victory of the client'.

Not only will patients and health professionals be the main beneficiaries of the future DMP System, they were also the principal driver behind the program's initiation almost 2 years ago now. (a 2006 opinion poll showed that 86% of French citizens are in favour of an Electronic Medical Record).

Instead of a traditional in-depth transformation of public health system implemented without any consultation with its beneficiaries and health professionals, the DMP program aims to involve both users and suppliers of medical information in the remodelling of national medical records. The objective is to implement a program subsidised by the State, but operated by health professionals and patients, for their own benefit.

The limit of the project lies in the necessary involvement of health professionals and patients. Without their co-operation all efforts by the administration would be ineffective.

Making shared services succeed – Shared-Service Team in UK

The UK government, as part of its central drive for efficiency following the Gershon Review, is working to an overall plan for realising the benefits of shared services. If HR and Finance alone were implemented optimally (according to the Shared Services Forum and Advisory Group, the body which advises on the benefits of shared services to public sector departments, as well as to the provider and private sectors), the savings potential of this transformation is estimated at up to £40bn over 10 years. To support this process, a central Shared Service Team has been created. Focusing initially on HR and Finance, the Shared Service Team is examining, together with public sector organisations, services which can feasibly be shared to make efficiency savings, become more effective and improve the employee and user experience. To help plan and understand the potential for shared services across the public services, nine sectors have been identified in order to deliver the level of detail required for each one. The sectors are Health, Education, Home Office (including Police), Local Government, the rest of Central Government, Families, Defence, Revenue and Works & Pensions. Each sector is preparing a 'Sector Plan' with the assistance of the Shared Service Team. Sector plans will detail features of the sector; the objectives to be achieved through sharing; a blueprint of the future shared service organisations (including a transition plan); expected benefits and investments required and the risks and issues that might arise.

2 Collaborative partnerships

Shared services

Instead of having their various departments devolve activities over a number of offices, shared service centres allow organisations to centralise and standardise repetitive, transaction-based processes. By consolidating and simplifying these processes, they help to ensure that services can be delivered as efficiently as possible. This need not apply solely to the centralisation of back-office functions (such as HR, IT and Finance). Middle- and front-office functions can also benefit.

Shared service centres can help to ensure that high-volume services are delivered competitively – in terms of cost, quality and timeliness. By doing so, they also enable public sector organisations to focus hard-pressed resources squarely on their main objectives – providing high quality and value-for-money services. Because internal customers should expect to receive high-quality service and adherence to defined service levels in the same way as external customers, shared service centres can also help to crystallise the entire concept of customer-centricity (through internal service level agreements).

It should be remembered, however, that while shared services can reduce the number of personnel needed to fulfil certain agency responsibilities, their successful execution calls for a high level of management oversight.

Public-Private Partnerships (PPPs)

The need to improve infrastructure and service delivery in many sectors, including health, transport, social housing and education, is seen as a necessary precondition for successful economic growth. However, governments have limited financial resources to devote to increased capital expenditure for improving public services, as well as restrictions on their ability to raise debt.

In order to bridge the gap between the cost of infrastructure and services needed, the resources which are available, and to ensure that infrastructure/services are delivered as efficiently and cost-effectively as possible, PPPs have established themselves as a fast-growing element of public sector procurement in many countries.

The term 'PPP' means different things to different people. For many, it includes a number of different forms of delivery – from contractual-based approaches (including PFI in the UK), to much looser partnering-based solutions. These can be capital intensive and service-'lite', or capital-'lite' and service intensive.

PPP procurement is, of course, only one of several options for procuring infrastructure and services. Careful consideration must therefore be given to whether a particular project is suited to a PPP structure, and to whether there is strong political support (and the enabling legal framework) for a PPP solution.

In our discussions with public sector leaders, the principal reason given for using PPPs is that, where the project is suitable, these structures can deliver better value for money (in both quality and cost) than alternative solutions. All arguments for and against PPPs should be considered within the context of that overriding objective.

The use of PPPs raises a number of complex issues, the solutions to which are often project- or country-specific. Past studies, including a study by PricewaterhouseCoopers¹⁵ have indicated that there are considerable benefits available. These benefits can include the appropriate allocation of risks between the public and private sector, the adoption of a whole lifecycle cost approach, introduction of private sector skills and innovation and a focus on outputs and benefits delivered against agreed service standards.

However, governments should remain mindful of the challenges involved – in particular, around the availability of appropriate capacity and skills in both the public and private sectors, the resources that will be required throughout the PPP procurement process and the relative inflexibility of these long-term structures.

As discussed earlier in this chapter, most government functions (even in apparently core areas such as Defence) consist of a mix of sovereign and non-

core (transactional) activities. In some situations, the private sector will have deeper and wider experience of enhancing performance in the delivery of non-core activities. By facilitating contributions from the private sector at the right points in the process, the public sector can improve the quality of service delivery, while also freeing up resources to focus on sovereign activities. In addition, the agility of the private sector in deploying resources and accelerating processes can help to put in place service delivery mechanisms that are in tune with customers' needs.

PPPs do not necessarily represent a panacea for the public sector. Indeed, a poorly-developed PPP project can prove to be much worse than a poorly-developed conventional procurement. Having committed to a PPP, the public sector will typically be bound to the project for a long period (often 20-plus years) and the inflexibility of these structures generally makes termination extremely costly. With that caveat, however, experience has shown that real benefits can be achieved through properly-structured PPP agreements.

Outsourcing

Outsourcing facilitates the transferral of existing business functions (or complete service provision) to a third-party provider, enabling these outside resources to perform activities which were previously handled in-house. It can often involve the management and/or day-to-day

National Health Services, UK – Shared services deliver tangible benefits

PricewaterhouseCoopers advised the Department of Health (DoH) on a joint venture with a private sector provider for the provision (via a shared-services infrastructure) of back-office finance and accounting services to NHS Trusts. Effective from April 2005, the JV assumed responsibility for a customer base of NHS organisations and DoH agencies. The deal, which sets five-year market share and revenue targets for the JV, constitutes a key component of the DoH's response to the recent Gershon Efficiency Review. This PPP offers NHS organisations the benefits of guaranteed cost savings, reduced capital expenditure and 'best in class' services. It is estimated that, by outsourcing these finance and accounting functions to the JV, some £250 million will be saved over 10 years (to be reinvested into front-line patient care). The JV's name – 'NHS Shared Business Services Ltd' – indicates the government's belief that shared services may eventually extend beyond core finance and accounting functions. Work is already underway to optimise and extend the range of services currently available. Third-party feedback on this initiative is encouraging. A UBS Investment Research report is 'very optimistic' about the future of NHS Shared Business Services, saying: 'We believe that the [joint venture] will be the most compelling for the Trusts. The Trusts essentially face three options: 1) they can opt to do it for themselves...; 2) they can go to another 3rd party – but this would be subjected to the 9-12 month government procurement process; or 3) they can sign up with the [joint venture]. We believe the JV will provide the most cost-competitive option to the Trusts, becoming the most attractive option.'

¹⁵ PPP in Practice: New Approaches to PPP delivery, 2005

execution of an entire business function by a third-party service provider. One of outsourcing's most significant benefits is the fact that it can help public sector organisations to intensify their focus on core competencies (their sovereign functions), while allowing other providers to carry out functions in which they have proven in-depth capabilities.

Other benefits can include reduced cost, improved performance, enhanced flexibility (making fixed costs variable, for example), the avoidance of capital expenditure and providing access to best practice.

The use of outsourcing is already widespread – and expected to grow rapidly. In a 2005 paper¹⁶, the OECD estimated that 20% of all employment in the US, Australia and Canada, as well as the 15 member states of the EU prior to enlargement, could 'potentially be affected' by the international outsourcing of service activities.

Outsourcing and contracting-out for the delivery of services can, however, present significant challenges. These include the need for public sector organisations to measure performance, administer contracts, manage relationships with the third-party provider and determine appropriate levels of responsibility/accountability. These factors can themselves translate into high costs for government agencies. Forrester Research¹⁷ estimates that failure rates

from all outsourcing initiatives can range from 25% to as much as 50%. These findings underscore the importance of in-depth planning (including clarity on the objectives and outputs and the preparation of a thorough cost-benefit analysis) on outsourcing deals to ensure that they deliver their full potential.

According to a recent PricewaterhouseCoopers survey¹⁸ of public and private sector organisations there is an overwhelming consensus in favour of the fact that, provided they are properly managed, outsourcing/strategic partnerships do help organisations to achieve targeted benefits. Respondents to the survey identified such benefits as improvements in services, cost savings/price stability and enhanced customer satisfaction levels. At the same time, respondents identified a number of challenges, attention to which would significantly improve the efficiency of outsourcing arrangements. These included:

- The need for contracts to contain clearer requirement specifications
- The fact that costs are often underestimated when preparing the business case
- The need for greater flexibility – contracts must anticipate the likelihood of change (70% of respondents' contracts needed to be changed during their lifespans)

¹⁶ Potential Offshoring of ICT/ Intensive using occupations, April 2005, OECD Working Party on the Information Economy

¹⁷ How to succeed in outsourcing through strengthened governance

¹⁸ PricewaterhouseCoopers: 'Signed. Sealed. Delivered?', 2007

- The need for more collaborative relationships to be established with suppliers
- The need for more proactive performance monitoring by the public sector
- The importance of striking a balance between value-for-money pressures and incentives that encourage innovation by the supplier.

Public-Voluntary Sector Partnerships (PVSPs)

Voluntary sector and non-governmental organisations (NGOs) can play a supportive role to the public and private sectors, as well as holding out potential for innovation and improvement in service delivery. This is largely because voluntary sector organisations/NGOs differ from the public and private sector organisations in two fundamental ways. First, their *raison d'être* is to increase the supply of public good and enhance the welfare of citizens. Secondly, they often have a distinct information advantage over government agencies and, to an extent, over businesses. Because they work very closely with the beneficiaries of their services, NGOs and voluntary-sector organisations will typically have a comprehensive understanding of the challenges faced by citizens – as well as the optimal ways in which solutions can be delivered.

Partnerships between public and voluntary sector organisations allow 'profit' to be reinvested in service delivery and/or in the surrounding community, instead of being distributed to the shareholders of commercial entities. And the involvement of voluntary sector organisations in public service delivery is becoming increasingly prevalent. In 1980 (according to a recent report by the Ash Institute for Democratic Governance and Innovation at the John F. Kennedy School of Government at Harvard University¹⁹) the overwhelming majority of social services in Great Britain was delivered by government agencies – with just 14% being provided by private firms or voluntary organisations. Less than two decades later, NGOs were providing 40% of social services. Meanwhile, in the developing world, more than 15% of all overseas aid is now channelled through NGOs and voluntary sector organisations.

Managing risks in partnerships

Public sector organisations across the world are facing up to the challenge of meeting customer expectations with the help of innovative partnerships – a key component of which is the blurring of boundaries between the public and private sectors. These partnerships may be within government (in the form of shared services and eServices), or with the private sector (in the form of PPPs or outsourcing arrangements) or with the voluntary sector. The effective management of relationships in these partnerships is key to their success.

'We will respond to citizens' diversified needs, not only by providing existing administrative services but also by establishing 'new public management' in collaboration with citizens.'

Hiroshi Nakada, Mayor of Yokohama, Japan

¹⁹ Government by Network. The New Public Management Imperative, A Joint Study by Deloitte Research and the Ash Institute for Democratic Governance and Innovation at the John F. Kennedy School of Government at Harvard University

Public and private agencies unite to fight killer disease

‘Tuberculosis and Malaria’ is a groundbreaking public-private partnership set up in 2001 to help poorer countries tackle pandemics that kill more than six million people every year. As of July 2006, The Global Fund has approved total payments of US\$5.5 billion via almost 400 grants to 132 countries – of which almost half has actually been disbursed. Coordinated from Geneva, The Global Fund ensures that this money goes straight to the front line in the battle against disease by paying it direct to countries applying for grants, leaving them free to design programmes that suit their own local needs.

The Global Fund represents a close partnership between the public and private sectors. ‘Instead of creating a hugely expensive international infrastructure, we contract private-sector Local Fund Agents (LFAs) in each of our 132 countries to assess, monitor and review the programmes at a local level,’ explains Jon Lidén, head of communications for The Global Fund. ‘About 95% of our funds come from governments. Without rigorous assurance that the grants are being used effectively, we cannot disburse the funds. So our independent, private-sector LFAs are an integral part of our architecture.’

Many observers believe that the Global Fund initiative provides a template that other public-private partnerships on the world stage may choose to follow in the future.

(Global Annual Review 2006, PwC)

To ensure that collaborative service delivery models realise the maximum benefits, the public sector should take account of the following factors:

Clear goals and time-frames

Where any private sector involvement in public service delivery is envisaged (whether through a PPP or outsourcing), it is essential to establish unequivocal milestones, at which point certain clear goals are to have been achieved. These should be focused on final outcomes and time-frames, leaving the manner in which work is to be performed at the discretion of each of the parties to the agreement. In other words, the focus should be on the ends, not the means. For example, the decision should not be whether to outsource or not. Instead, it should be whether or not outsourcing will help to improve service levels, reduce costs and/or boost revenues. And, if this is the case, the public sector organisation should ensure that the service provider has the flexibility to determine how best to achieve the targeted benefits.

Performance measurement/monitoring

Even if the desired outcomes have been clearly defined, public-private sector relationships will be unlikely to provide the required benefits unless there is continuous performance monitoring through well-defined performance criteria. For example, when New York City tried to move to a performance-based contract with its streetlight maintenance contractor, it established a number of exacting

performance standards (all broken lights had to be fixed within 10 days of being reported, otherwise a daily financial penalty would be levied). However, because no-one tracked how long it was taking to repair the lights, the city hall had no idea whether the standards were actually being met. This situation is far from unique. A recent OECD survey found that an overwhelming majority of public sector authorities did not use performance-based measures to evaluate the progress of public-private sector collaborations, and the recent PwC survey produced similar findings.

Risk allocation and management

The sharing of both financial and performance risk can be one of the biggest advantages to flow from collaborations with the private sector. PPPs, for example, are designed so that risks are allocated to the party best equipped to manage them. However, both public sector organisations and private sector operators should take care not to promote or accept inappropriate risk transfer. It should be remembered that the ultimate success of any collaborative model will depend on the fairness with which risks have been allocated.

Risk transfer should in no way imply a complete shift of the burden from the public to the private sector. The public sector needs to recognise the difference between optimal and maximum risk transfer. If the latter is attempted, problems will almost inevitably arise. For example, when the State of Kansas privatised its child welfare system²⁰ nearly all financial

²⁰ Ask Institute for Democratic Governance and Innovation – ‘Government by Network’.

and performance risk was initially transferred to the contractors (all of which were non-profit organisations). A number of these organisations were unable to bear the financial penalties imposed by the contract and were eventually forced to declare themselves bankrupt.

Flexibility in the relationship

An essential quality for any successful partnership is its ability to adapt to change – both in terms of the relationship itself and the work that has to be done. Especially in the case of long-term partnerships, strict adherence to the clauses of the contract may act as a barrier to successful implementation (by failing to take account of wider changes in the surrounding political, economic and social environment). The priority for both parties is to maintain a constant focus on the targeted outcomes for the project throughout the contract’s lifespan. The public sector also needs to recognise at the outset that change is increasingly an inevitable part of a contract’s life, and this needs to be addressed in terms of contractual flexibility, as well as a mature approach to relationship management with the service provider.

Expectation management

For the public sector, the management of stakeholders’ expectations can represent a significant challenge. Because these expectations are frequently based on perceptions of what best practice should be (rather than on quantitative measures of responsiveness, efficiency and

effectiveness), a gap can open out between what can realistically be delivered, and what cannot. The following initiatives can prove helpful when it comes to bridging this expectation gap:

- Designing a clear communications strategy that reaches out to all stakeholders
- Communicating quantitative service-level definitions
- Ensuring that strategies are based on the maxim ‘Under promise, over deliver.’

Social impact

Opposition to new service delivery models often arises where they are perceived to exclude the very citizens that they were designed to benefit (for example, where eServices are used as a model for service delivery in digitally-divided societies). Such ‘myopic planning’ can be avoided. For example, Singapore – itself a leader in the provision of eServices – has addressed this issue by setting up customer-service centres for citizens who may be illiterate, low income and without access to the internet.

Managing risks and partnerships



Flexibility drives successful partnerships – India

eSampark in Chandigarh, India offers citizens a convenient 'one-stop-shop' for 11 government services ranging from payment of taxes and water bills, to bus passes, birth registration and passport applications – accessible online and through seven e-Sampark Centres. The initiative serves over a 100,000 people every month and the satisfaction rate has been upwards of 80%.

This successful outcome, according to Vivek Atray, Director – Information Technology, Tourism, Technical Education and Science & Technology, Chandigarh Admsinitration, can be attributed to the 'structuring of the project on a win-win basis'.

The 'Build-Own-Operate-Transfer' projects catered for clear service-level agreements and establishing monitoring mechanisms combining the most appropriate allocation of risk with sufficient incentives for all project partners to safeguard sustainability. Services provided through the centres are free to the citizens, but there is flexibility within the model to introduce charges and increase the range of services over time. The high level of satisfaction, as reported through the built-in feedback and improvement mechanism, was instrumental in gaining the project national recognition in the form of a 'Golden Peacock' award.

(Taken from Global Annual Review 2006, PwC)

In a nutshell

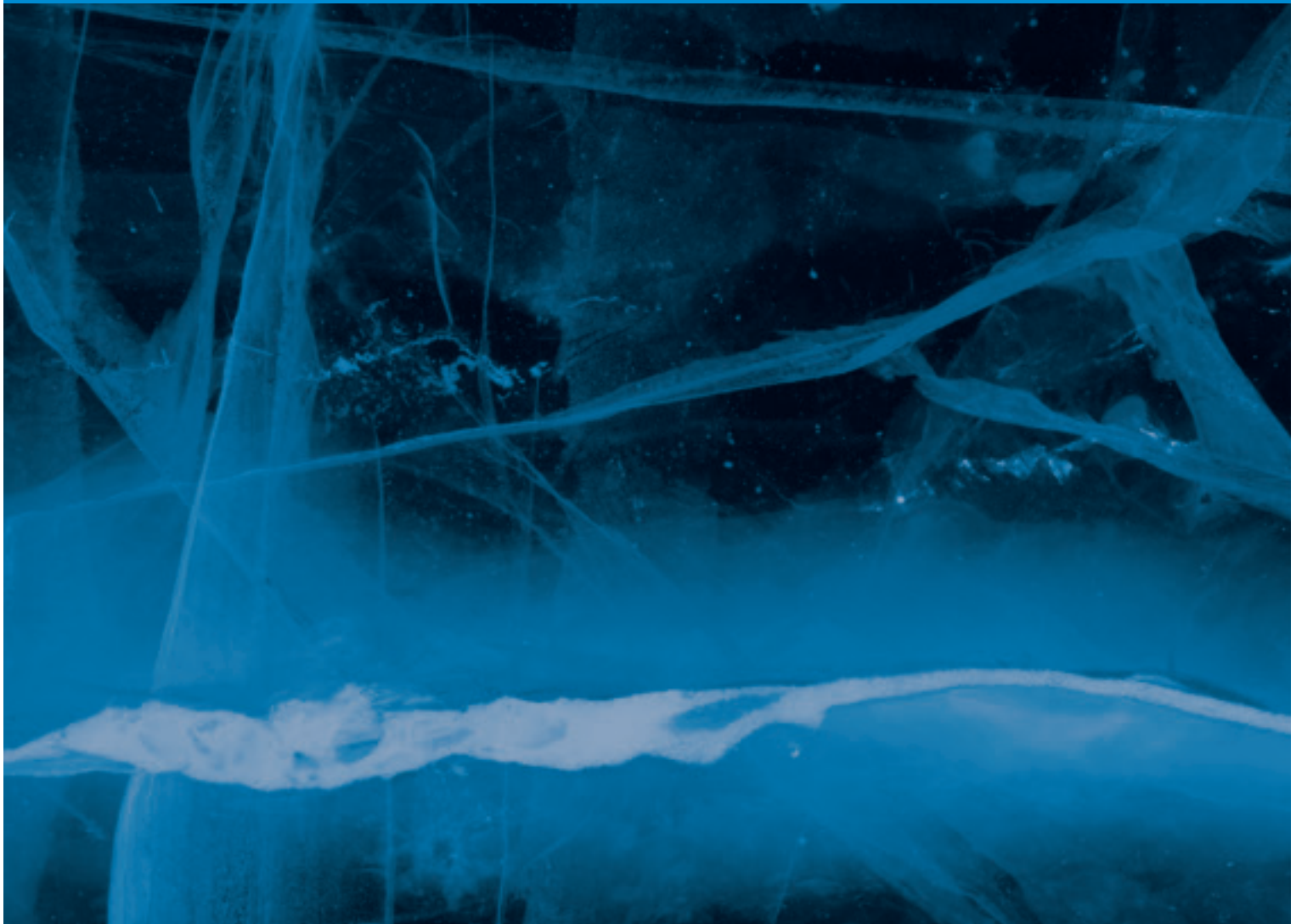
- To be able to define the appropriate service delivery model, the overall goals of public service delivery should be clearly articulated in terms of:
 - > Quality of service (accessibility, timeliness and service levels)
 - > Cost of service, leading finally to 'value for money'
 - > The suitability of different service delivery channels for different customer segments
- The first step towards developing the right service delivery model is for the public sector to clearly define the role it intends to play (ie policy maker, regulator or service provider)
- Critical success factors for building the right model include:
 - > Evaluating how technology can help the organisation to achieve its overall goals
 - > Recognising that eServices are an essential medium for service delivery
 - > Understanding the ways in which different collaborative partnerships (shared services, PPPs, outsourcing and PVSPs) can deliver targeted outcomes
 - > Managing risks in collaborative partnerships through
 - clearly defined goals and time-frames
 - continuous performance monitoring through well defined performance criteria
 - risk sharing
 - introducing flexibility
 - managing stakeholder expectations
 - addressing social impact challenges

07 Getting it right

Continuously improve: Innovate to sustain benefits

‘It is all about innovation – the little ideas that can lead to big changes in the way we get access to the sort of public services we rely on in our daily lives?’

By Paul Boateng, formerly Chief secretary to the Treasury, Britain



For public sector organisations, changes in customer preferences and expectations are continuous. Radical one-time change to improve service delivery is unlikely to be sustainable in any long-term solution. What is required is an institutional culture that allows for continuous improvement. By learning from good practices across the private and public sectors and listening to its customers, the public sector will be in a position to continuously deliver on the customer promise.

Reforms in public sector agencies aimed at improving the efficiency and effectiveness of service delivery are often driven by factors that are external to the agency, such as changing regulatory requirements and budgetary constraints. Reforms resulting from these external drivers generally constitute what we term radical or one-time reform. Our review of successful models suggests that while one-time reform can achieve instant results, these will be neither sustainable nor capable of delivering in the long term, unless they are underpinned by innovation and continuous improvement.

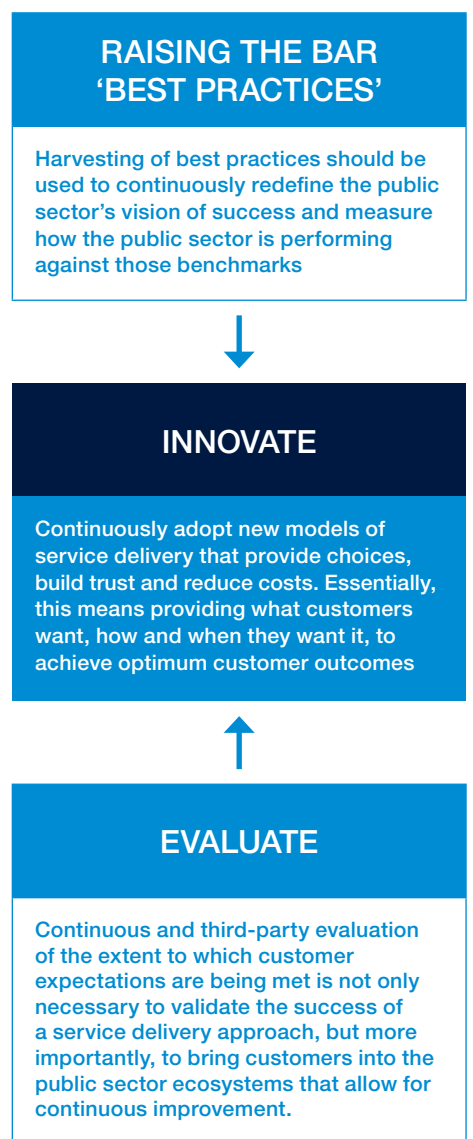
The term ‘innovation’ in the context of the public sector needs to be carefully understood. Innovation in the public sector does not always imply the creation of a new means of service delivery, or the development of new technologies/ systems to improve efficiency or effectiveness. Innovation, as we refer to it in this paper, is an approach that public sector agencies can use to modify (by introducing incremental change) existing systems and processes, or introduce new (significant) changes to processes and systems that will drive efficiency and effectiveness on an ongoing and sustainable basis. The end result can be product/service innovation or social innovation. The availability of funding and the deployment of specific innovation ‘teams’ within public sector organisations will both be key to sustaining these initiatives.

Innovation – the key to the public sector’s ability to continuously deliver on its customer promise

Ask the CEO of any large and successful company what is expected to drive the organisation’s future growth and innovation is likely to be one of the top three responses. For private sector organisations, innovation is a critical determinant of competitiveness, investment, profitability and overall market positioning. In fact, most successful private sector organisations are structured specifically to promote and encourage the innovation needed to make continuous improvements to the services they provide.

The public sector’s capacity for innovation is not in doubt. However, there is sometimes a perception that, because public sector organisations do not operate in the same competitive environment as the private sector, they are not subject to the same bottom-line criteria for success and failure which drive private sector innovation²¹.

As this paper has shown, this perception is no longer valid for a variety of reasons, including increased customer awareness, higher political imperatives for performance and the need for international competitiveness. Accordingly, the starting point needs to be the development of a culture/mindset that espouses continuous improvement as a strategic objective. Carefully monitored and regularly



²¹ NAO report: ACHIEVING INNOVATION IN CENTRAL GOVERNMENT ORGANIZATIONS: DETAILED RESEARCH FINDINGS, REPORT BY THE COMPTROLLER AND AUDITOR GENERAL, HC 1447-ii Session 2005-2006, 25th July 2006.

adjusted target setting by the leadership will be integral to the development of this mindset, providing the impetus for continuous improvement efforts throughout the organisation.

Innovation plays a significant role in boosting productivity, and this directly affects the effectiveness of public service delivery, in terms of enhancing (a) quality of service – accessibility, timeliness and service levels and (b) cost of service, leading finally to ‘value for money’.

According to a recent publication by the UK’s National Audit Office, which scrutinises public spending on behalf of parliament, if it was possible to achieve even small increases in government sector productivity continuously over a period of years, then potentially large-scale improvements might be obtained in the resources available for public services. A study in 2004 estimated that, for the UK, gains over 10 years could amount to £16 billion if public sector productivity grew by 5% in that period, and £47 billion if it grew by 15%. The extent and success of innovation would be a determining factor in achieving such increases.

Harvesting best practices

There is increasing evidence to show that, with such rapid progress towards best practice being achieved by public sector organisations around the world, the countries which are today in the

vanguard of public sector reform may not be there tomorrow. In fact, if one observes changes in the UN e-Readiness Index, which measures the maturity of governments in the area of eServices provision, one finds increasingly dramatic shifts in position taking place over the last three years.

In their search for new models for effective public service delivery, we foresee public sector organisations increasingly benchmarking themselves against best practice in other countries, as well as against best practice in the private sector. Our experience suggests that, by using their knowledge of developments elsewhere, public sector organisations can continuously improve their own service delivery models – not by trial and error, but by selecting proven examples of best practice from around the world.

We believe that some of the best results are delivered when benchmarking is not restricted to rigid sectoral confines. This helps to introduce new sets of business rules which might otherwise be considered unsuitable for a given situation/set of conditions. There is increasing evidence to show that new models of service delivery can be drawn from completely unrelated sectors. Many logistics and project management practices have come from the military, for instance. Similarly, public sector organisations tasked with delivering large-scale education programmes might

usefully benchmark against what has been achieved by some of the IT training institutes in India, which now have over 3,000 centres across 25 states.

For benchmarking to be useful, the public sector needs to ask itself three key questions:

1 What is it that we are attempting to innovate?

Benchmarking should be used to highlight optimum models for delivering better customer services. It should not be used to answer questions such as ‘what kind of organisational structures exist’? Benchmarking’s purpose is to show how organisations have structured themselves so as to improve the quality and value for money of their service delivery. It should focus on:

- Impact – How have the customers benefited?
- Outcome – What should the service levels be?
- Process – How can we meet our desired service levels?
- Inputs – What were the prerequisites for success?

2 Whom can we learn from?

The relevance and usefulness of benchmarking information is very much dependent upon the availability and comparability of suitable data.

In this respect, key questions that the public sector needs to consider include:

- Is this an organisation/country that we aspire to emulate?
- Is there any third-party evidence to support the success claimed by the organisation/country that we propose to benchmark against?
- Are the rules and legislation under which services are delivered similar to our own?

3 How do we document best practices?

Depending upon the purpose of the benchmarking (ie whether it is to be focused on outcomes or processes), the method through which it takes place will have significant implications – both in terms of cost, and in terms of effectiveness. Primary benchmarking (where data is collected specifically for the purposes of the organisation) is often the most elaborate and accurate option. However, it is often not the most cost-effective, owing to the significant preparation that needs to take place. For that reason, it may make sense to use it principally in the validation of secondary research (which can be conducted via the internet, or through other means).

‘The most important external factor influencing the development of nominated innovations is working with other government organisations.’

National Audit Office, UK study on Innovations in Central Government Organisations

Monitoring and evaluation – Singapore Feedback Unit

The Unit holds forums and dialogue sessions, as well as producing publications to encourage continuous citizen feedback. Its website is linked to the eCitizen portal, Singapore's G2C (government-to-citizen) one-stop shop. The Feedback Unit has a one-stop feedback form that can be accessed from the eCitizen portal. On this form, the citizen can specify which ministry to send feedback to, or leave it blank and allow the Feedback Unit to divert the message. Each ministry/department has a quality service manager with a toll-free line for complaints/ feedback. The internal database tracks when the feedback is received and when the feedback is given. Through its website and Feedback Quarterly newsletters, the Feedback Unit also publishes responses to feedback that are relevant to a wider audience.

(The key to Increasing Transparency in e-Government Deployments' APDIP e-Note 3/2005)

To help shed light on the ways in which civic leaders are working towards continuous innovation, in early 2006, PricewaterhouseCoopers launched its 'Cities of the Future' research project. Focusing on the strategic agenda of tomorrow, this project included interviews with over 50 senior leaders in politics and administration in various big cities around the world. Through this process, we have formed a community of public sector leaders, all keen to share information and learn from each other in a number of areas of common interest. By establishing this informal and fellowship based network, we are hoping to encourage and facilitate an environment in which best practice around the world can be documented and learned from.

Monitoring

The sustainable delivery of benefits is driven by continuous efforts to identify improvement opportunities. Improvement is relative – future performance based against past or present performance. To realise benefits through such interventions, there has to be a continuous monitoring programme that provides stakeholders in the public sector with regular updates on progress (or lack thereof) in the achievement of the envisaged results.

Performance evaluation

If innovation arises from a process through which the public sector continuously listens to its customers, it is likely to be sustainable. All too often, however, innovation and new models for service delivery are driven by crises or one-off

initiatives. This can mean that insufficient attention is focused on their long-term viability. For example, by some estimates, 80% of eServices initiatives are unable to keep to budget, time or objectives²². To ensure that their projects do not fail, public sector organisations need to engage with their customers through open government (transparency, accessibility and responsiveness are the watchwords). In doing so, they will build trust amongst their customers, and this will play a vital part in ensuring that projects prove to be sustainable over the long term. The introduction of appropriate regulation, guidelines and legislation will help to ensure that this happens.

According to an OECD²³ report on modernising government, 90% of OECD countries have a Freedom of Information Act, and an ombudsman office. And over 50% of them have customer-service standards. Nor are these initiatives restricted solely to developed countries. Developing countries such as India have promulgated Right to Information Acts (RTIA) that help to build open governments. An associated impact of such initiatives is that they force the public sector to come up with new models of service delivery that are consistent with the requirements of the legislation. In the case of India, the RTIA is forcing the public sector to define service standards, as well as focusing much more on eServices as an alternative means of service delivery to meet these standards.

²² ICT Policies and e-Strategies in the Asia-Pacific., A critical Assessment of the way Forward
²³ MODERNIZING GOVERNMENT: THE WAY FORWARD – ISBN 92-64-01049-1-@ OECD 2005

One of our principal themes in this paper is that the public sector may be able to learn some useful lessons from the private sector. Rising demand for better standards of governance in the private sector have spurred initiatives aimed at improving disclosure and corporate governance, as well as frequent guidance and oversight from regulators. Increased media scrutiny of government and its effectiveness are part of this same trend.

One way in which governments can respond is through improved performance and, more importantly, through the development of systems that provide the media with the transparency it needs to judge public servants across various standards (the above-mentioned OECD report found that over 75% of OECD countries have standards of behaviour for public servants). As part of this strategy, the ability to provide independently-assessed evidence of increased customer experience and outcomes will be extremely persuasive.

Customer feedback (via effective measurement metrics for customer, supplier and collaborator satisfaction) is often one of the most neglected areas of public service delivery. For public sector organisations, the lack of customer feedback can be a source of major operational risk, as well as severely hindering their continuous learning capabilities.

The reality is that too few organisations – in either the public or the private sector

– collect even basic data on levels of customer satisfaction, customer experience, customer outcomes or customer loyalty. In May 2006, PricewaterhouseCoopers undertook a study of customer satisfaction in private sector financial institutions²⁴. Only 60% of those questioned said that their firm regularly collected data on customer satisfaction levels, notwithstanding the fact that this metric is acknowledged to be the best indicator of customer-friendliness. And far fewer collected data on customer loyalty levels, commonly regarded as an even better predictor of customer spending than levels of satisfaction.

Once innovation is on the agenda, it is important to include a wide spectrum of views and stakeholders in its development. Co-design, co-decision-making, co-production and co-evaluation all imply the involvement of different people at different stages in the development of a new initiative. Staff and end-user participation should be integral to any innovation process from the design phase onwards. It is important to remember that the design phase of any project involves setting standards/performance criteria and, if customers are included in this process, it will help to ensure their satisfaction with subsequent service delivery. Co-decision making and co-production contribute towards the sustainability of innovation initiatives by encouraging citizens to see themselves as ‘owners’ of whatever changes are introduced. Co-production helps to make the production process more visible and

Customer and government Transformation Index – Bahrain

To gauge the benefits of its new eServices model, the Kingdom of Bahrain 2010 lays special emphasis on measuring the Customer and Government Transformation Index.

This index measures the efficacy of customer-centric service delivery through customer feedback on quality of services, accessibility and usage of government services, usage of online services, and efficiency of service delivery. To drive and measure productivity gains, the Index measures the beneficial impact of transforming government practices, including assessing increases in government’s capacity to deliver services, boost productivity, and speed up the process by which grievances are redressed.

²⁴ Winning the battle for growth: Building the customer-centric financial institution

Innovative Service Design – The Netherlands

An initiative introduced by the Rotterdam and Rijnmond police force provides an example of the benefits that flow from involving a wide range of stakeholders in the innovation process.

The development and implementation of ICT for re-engineering the issuing and processing of police tickets was strongly driven by staff. This included 3,500 police officers, 35 administrative police staff and a number of staff from the public prosecution agency. The case description reports that ‘...on one hand, involving these parties led to development of a good product and on the other it created support for the project.’

(Making Quality sustainable : Co-Design, Co-decide, Co-produce and Co-evaluate – www.4qconference.org)

therefore more understandable. Similarly, co-evaluation through surveys and interactive programmes is an important tool for ensuring the initial success and onward sustainability of innovation.

Towards sustainable innovation

Innovation and continuous improvement are both key to the sustainability of government transformation. In this respect, the harvesting of best practices from the public and private sectors will play a vital role. By introducing benchmarking programmes, the public sector will be able to identify innovation initiatives which have already delivered value, as well as gaining insights into how best to introduce these initiatives and adapt them to their own needs. As new initiatives are developed, benefits realisation planning will provide a baseline from which to assess their success (by setting clear milestones for the delivery of expected benefits). And, from the outset, regular customer evaluation and independent feedback will enable public sector organisations to include their stakeholders in the development of initiatives which result in continuous improvement.

In a nutshell

- Continuous improvement is key to the sustainability of government transformation
- Innovation in the public sector is different from innovation in the private sector – it is not about filing patents, but about continuous incremental change
- Innovation is the key to the public sector’s ability to continuously deliver on its customer promise.
- Harvest best practices (benchmarking) to drive innovation.
 - > Look within and beyond (private sector)
 - > Look beyond own sector
 - > Look beyond boundaries
- For benchmarking three questions need to be asked:
 - > What to innovate?
 - > Where to learn from?
 - > How to document and adopt?
- Need for regular customer evaluation and independent feedback key to institutionalising learning and improvement

08 Conclusion

Delivering on the customer promise

‘To improve services we need to understand more about customers’ experience of using government’s services. Governments tend to have lots of information on transactions between the customer and the service provider, but little on customers’ real experience of us.’

Alexis Cleveland, Chief Executive of the Pension Service UK



More important than choosing the appropriate model for public service delivery, or increasing awareness around the realisation of benefits for citizens, is the task of undertaking the actual transformation. One of the biggest challenges demanding attention is the ‘ambition challenge’ – attempting to achieve more than is believed possible, given the constraints of structure, capacity of people, public sector culture and finances.

As this paper has shown, there is no single ‘correct’ approach for undertaking the transformation of public sector service delivery. Although there are a number of common trends, as well as a number of common challenges faced by public sector organisations around the world, the responses will vary depending on individual contexts.

However, these responses do share in common the need to focus on delivering better customer journeys for citizens, thereby ensuring that they can achieve better outcomes from their interactions with the public sector. They also share the need to provide a value-for-money solution, redefining the role of the public sector in society, leveraging private sector best practices and expertise and using technology as a key enabler of change.

For all public sector organisations, the priorities should be:

- Getting the focus right – understanding that the ‘customer is king’ in the public sector too
- Pulling down the walls – agency silos must give way to connected government

- Empowering to deliver – building the capacity to deliver in public sector organisations (and in their people)
- Delivering the promise – building customer-centric models and managing risks
- Ensuring continuous innovation – innovating by harvesting best practices and using customer feedback to sustain benefits.

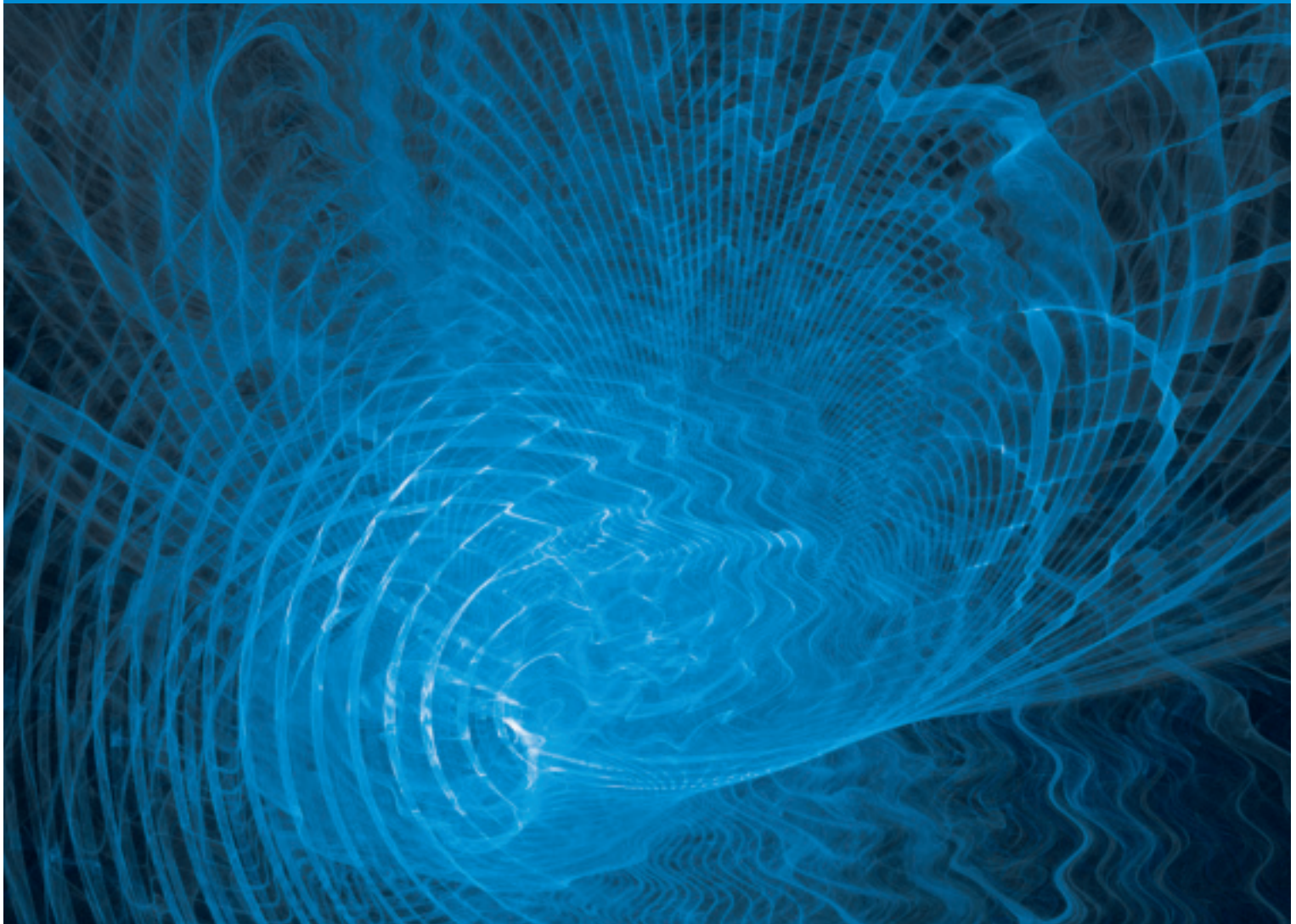
A key theme running throughout this paper is that, for public sector organisations to effect successful transformations, they need to address each of these five elements in a cohesive and balanced way, rather than adopting a piecemeal approach to change initiatives.

Public sector transformation is a challenge. But it is one that must be addressed. We hope this paper has highlighted the scope of the challenge, and the issues that need to be considered, as well as the range of approaches available in order to successfully deliver on the customer promise.

09 About

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Public Sector Research Centre

PricewaterhouseCoopers' Public Sector Research Centre provides insights and research into best practice in government and the public sector, including the interface between the public and private sectors. Our evidence-based research enables a collaborative exchange of views on key public sector issues. This draws on the perspectives of public sector organisations themselves, our own global network of professionals (with day-to-day experience of the challenges facing the public sector), leading think tanks and academics.

The Centre has a particular focus on how to achieve the more effective delivery of better public services and infrastructure, both nationally and internationally.

Our goal is to stimulate informed debate on public services and make effective, practical contributions on a wide range of issues including:

- Delivering customer-centric services
- Making public service markets work
- Delivering public services cost-effectively
- Increasing transparency and accountability
- Delivering sustainable development
- Building public sector capabilities

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