European Commission

A STARTING GUIDE ON CREATING
A DIGITAL STRATEGY FOR PES

GETTING STARTED WITH DIGITAL STRATEGIES

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ICF

Contents

1. INTRODUCTION

Information and communication technologies are increasingly important for governmental agencies and PES are no exception. From being 'simple' tools to improve processes in back offices or service delivery in front offices, technologies have become integral parts of the organisation. However, most PES were not designed to be digital organisations. As a result, technologies are fragmented across organisational units, resistance hampers adoption, and lack of knowledge hampers technological innovation. As the role of technologies is expected to increase in the future, so will the pressure on organisations to successfully incorporate technologies. To tackle these challenges, many PES are considering a 'digital transformation' in which they re-align their structures, processes, and capabilities with the nature and characteristics of technologies.

A digital strategy is a core element of a digital transformation or any other project in the digital realm. The strategy outlines the plans in the near future aimed at the digital initiative and thus could feed into the transformation of the organisation.

In this starting guide we provide practical guidance for PES that want to develop a digital strategy or those that are interested in digital transformation. Within this guide we use many practical examples from PES, the broader public sector and the private sector. Through the starting guide we build upon the experiences from several PES and other organisations.

> **PES Network Resources: Modernising PES**
>
> An important piece of context for this toolkit is formed by the growing insights around the topics of digitalisation and modernising PES. The following publications from the PES network are relevant in this context:
>
> 1 Thematic Paper: Creating digital strategies: https://ec.europa.eu/social/BlobServlet?docId=20126&langId=en
>
> 2 Thematic Paper: From blending to omni-channelling: https://ec.europa.eu/social/BlobServlet?docId=18865&langId=en
>
> 3 Analytical Paper: Modernising PES through supportive data and IT strategies: https://ec.europa.eu/social/BlobServlet?docId=16602&langId=en

This starting guide is part of a series of guides on topics related to digitalisation and the development of a digital strategy with PES.

1.1 Content

This guide consists of two parts, each with a different focus:

● In part 1 (chapter 2), we are more conceptual and explain the 'what' and 'why' of digital strategies.
● In part 2 (chapter 3), we focus on the 'how' and provide a guide to getting started on the development of a digital strategy.

This starting guide does not cover strategy execution. It is focused on the higher-level activities surrounding the development of strategic goals and touches upon higher-level concepts related to strategy execution.

1.2 Who is this guide aimed at?

This guide is aimed at three types of audiences:

a. Senior Management within PES who want to learn more about digital strategies (specifically chapter 2). Scanning through chapter 3 could provide additional insight.

b. Middle-level management (e.g. those in charge of digital strategies and innovation) and policy makers who are responsible for governmental digitalisation and innovation (chapters 2 and 3).

c. Other PES employees who want to learn about digitalisation, transformation and digital strategies (specifically chapter 2).

2. DIGITAL STRATEGIES: KEY CONCEPTS

In this chapter we explore the key concepts related to strategy development. This provides the reader with just enough background to develop a strategy. In the first section (2.1) we discuss exactly what a digital strategy is (and what it is not) and how this ties into related concepts such as digitalisation and transformation. Next (2.2) we look at the relationship between a digital strategy and the higher-level goals of the organisation, such as those detailed in mission statements, visions and other strategic documents. In section 2.3 we discuss the rationale behind having a digital strategy, which should be seen as the business case behind digital strategy development.

2.1 What is a digital strategy?

A digital strategy is a specific type of organisational strategy. We define a PES digital strategy as:

A PES digital strategy is the application of information and technology to provide value for job-seekers, employers, and other stakeholders as defined in the PES mission and within the context of its vision.

Following these definitions,[1] we can derive that any strategy, digital or not, consists of three elements:

1. A description of the goals that the strategy needs to achieve, within the context of the broader set of general goals the organisation tries to attain.

2. A plan consisting of steps and/or actions the organisation needs to take in order to achieve these goals.

3. An overview of factors and/or variables that are important when implementing the strategy.

All of these will be discussed in more detail throughout this starting guide.

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1   And based on Pieterson (2008): https://www.pieterson. com/wp-content/uploads/2019/01/KiB-D2-1- Kanaalstrategie.pdf

Goals will feature in this chapter (most notably sections 2.2 and 2.3), and components (factors and variables) will be discussed in section 2.4 of this chapter. Steps form the core of chapter 3.

A digital strategy can focus on three different 'digital' activities. These activities are related and often historically connected, but they also increase in complexity. The different terms are often confused and/or used interchangeably, but there are differences between them. We describe them as follows:

Figure 1: Elements of a digital strategy
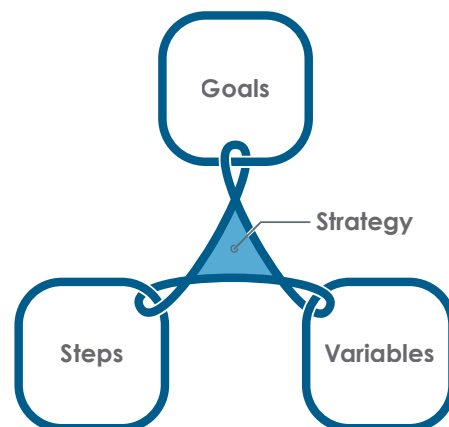
Digitisation

Refers to making information and materials digital. In the early stages of government digitalisation, this was a key activity within most strategies. Examples are:

- Making information that previously existed in paper form only available in digital form (for example legal information previously contained in books or support information only available in brochures).
- Creating digital copies of forms (from paper to PDF) that can be downloaded and subsequently processed offline.

Digitalisation

Refers to the process of making services and/or processes digital end-to-end. Digitalisation in many cases is a logical next step after digitisation and many governments (including PES) are in the process of digitalisation. Examples of digitalisation include:

- Translation of PDF forms into completely digital forms (e.g. web forms) that directly plug into back office systems.
- Complete end-to-end digital communication about processes, for example through notification services and/or email.
- Reorganisation of information to better fit the digital environment. For example by making information searchable, tagging and categorising information and re-writing it to fit screens and resolutions.

- Digital back offices, where transactions are processed automatically without human interference.

Digital transformation

Refers to the realignment of the organisation around digital technologies. Where technology within digitisation and digitalisation is seen as a tool supporting the organisation, under 'transformation' technology becomes the leading element around which the organisation is structured. The question around technology shifts from 'How can we use technology to support X?' to 'How can we best design and organise the organisation to make optimal use of technology?'. This (often) involves changes in organisational structure, redesign of processes and services, changes in HR functions and talent management, and in communication and collaboration. Examples are:

- Redesigning processes around integrated technologies. For instance, PES could design an integrated labour mediation workflow in which previously separated activities such as profiling and matching are now part of the same workflow.
- Shifting the organisation of service offerings online from a supply orientation where the customer defines his/her need and the organisation works with the customer to fulfil this need. In the context of PES, this could for example imply that the organisation lets go of the (more or less) predefined workflow of registration --> profiling/segmentation --> matching --> etc., but instead creates multiple entry points and works with the customer to create a tailored solution.

Figure 2: Overview of the relationship between the three concepts

Typically there is a relationship in time between the three concepts (for example, in order to digitalise a process, you first need to digitise the underlying information). Furthermore, there is an increase in complexity as the organisation progresses between the three types of digital activities. Digitisation is a fairly straightforward process, whereas digital transformation touches upon the entire organisation.

When creating a digital strategy, the PES needs to consider the focus of the digital strategy (digitisation, digitalisation, and/or transformation), and, based on that, work out the strategic plan (including goals, steps and variables).

Digital Strategy in Practice: the Belgian-Walloon PES (Le Forem)

The PES in Belgium-Wallonia recently released their digital strategy (Le Forem, 2017). The strategy is based on the mission 'We are Phygital',[2] – a portmanteau of 'physical' and 'digital', meant to signify how the organisation seeks to combine digital ways of working with human or personal contact. The organisation does strive towards a 'digital switchover' and the ambition is to offer more services to more users, to ensure better accessibility and quality. To this end, the objectives of this digital transformation revolve around three poles:

1. Users: the ambition is to provide more customised services according to users' needs, offering users more autonomy, which are available 24 hours a day, 7 days a week.

2. The organisation: thanks to a system of automation and self-service, resulting in time savings, the Belgian-Walloon PES intends to expand its service offering and succeed in taking charge of more users.

3. Employees: as key players in the digital transformation, employees will need to focus on high-value-added tasks and adopt a 'coaching' mentality towards users, to support them in their efforts.

The Belgian-Walloon PES' challenge is to provide users and employers with a clear and standardised service offering which is adapted to their needs, regardless of the type of contact (face-to-face or remote), through:

» Suitable and fluid customer pathways;

» A digital and flexible service offering;

» Employment and training specialists;

» Professional, secure and open data and information management;

» Open and shared information tools and systems

In a more operational sense, the strategy is organised around five strands:

1. Professionalise data management

2. Construct Application Programme Interfaces (API) and a flexible IT architecture

3. Roll out online self-service

4. Develop staff skills and support the staff

5. Develop user autonomy

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2   Phygital as a concept was first used by the French PES (Pôle emploi). See https://www.pole-emploi.fr/region/auvergne-rhone-alpes/informations/du-phygital-a-pole-emploi-des-services-digitaux-et-physiques-@/region/auvergne-rhone-alpes/article.jspz?id=472576

2.2 Goals: Relationship with organisational mission, vision, and strategy

While the digital strategy will have goals of its own, a (digital) strategy, if created properly, is part of a broader set of guiding principles within the organisation that are all connected. The most important of these are the mission and the vision of the organisation.

The **mission** of the organisation describes the ultimate goal of the organisation. Why is the organisation here? The **vision** of the organisation describes how the organisation sees itself and the world change in light of the mission. The **strategy** consists of the more concrete actions the organisation plans to undertake in the near future in order to bring it closer to realising its mission, within the context of the vision.

It is likely that the PES has multiple strategies simultaneously, for example in the operational domain (such as operations, HR, multi-channel/service delivery, IT, and finance strategy) or in the change/development areas (such as organisational re-design, business process re-engineering, talent development and innovation strategies). While having different strategies in parallel (and/or partially sequential) does not have to be a problem, it could create a challenging environment. This is because:

- There could be a conflict of interest between the different strategies, for example HR strategies aimed at developing inter-personal client communication skills for caseworkers could collide with digital transformation strategies aimed at reducing the number of front-line staff.
- Multiple strategies, especially with large change components, could create pressure on resources and potentially cause change fatigue.

In order to mitigate these challenges, the PES could:

- Create a checklist consisting of the highest-level goals and principles and check strategies against this checklist to ensure compatibility with the higher-level organisational objectives.
- Communicate (new) strategies to relevant stakeholders so that these (new) strategies can be developed congruently with existing strategies.
- Implement a team responsible for strategy review that looks at all strategic documents and plans. This could create knowledge about these strategies and increase this knowledge to ensure strategic alignment.

More attention will be devoted to development of strategic principles and alignment with mission and vision in chapter 3.

Figure 3: Relationship between mission, vision and strategy

2.3 Why have a digital strategy?

In this section we briefly outline the importance of a digital strategy within the context of change in the environment of the PES. Whether a PES should develop a digital strategy depends on the specific context of the PES. It is, for example, possible that the PES includes elements of a digital strategy in other areas (such as the IT and service delivery strategy). However, as technology becomes more important and a bigger part of the PES organisation, the importance of a dedicated strategy increases. This applies especially to strategies aimed at digital transformation.

Several reasons are mentioned by various sources[3] as to why governments should be concerned with digital transformation. We see the following as key arguments that PES can use to build a business case for transformation:

1. Increasing expectations and greater demands from citizens about the range and quality of

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3 See OECD (2015): http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=GOV/PGC/EGOV(2015)2&docLanguage=En
    OECD (2016): http://www.oecd.org/gov/digital-government/Digital-Government-Strategies-Welfare-Service.pdf
    McKinsey (2016): https://www.mckinsey.com/~/media/mckinsey/industries/public%20sector/our%20insights/transforming%20government%20through%20digitization/digital-by-default-a-guide-to-transforming-government.ashx
    Thornton & Campbell (2017): https://www.instituteforgovernment.org.uk/sites/default/files/publications/IFGJ5536-Digital-gov-170616-WEB.pdf

public services. Digitalisation in back offices could free up resources to improve interactions in the front office.

2. Many governments have set political objectives to achieve greater trust in government, including through responsiveness and transparency, and by providing opportunities for greater engagement by service users and citizens in general. Technologies such as social media, mobile technologies, and other technology-enabled approaches such as Open Government Data, are providing opportunities to regain trust by enabling new and more direct relations with citizens and businesses.

3. Governments also still face pressure for fiscal consolidation in the ongoing recovery from the global financial and economic crisis. This leads to a strong case for improving the efficiency of processes through digitalisation.

4. As demographics change in most (OECD) countries, general demand for services is on the rise, while the capacity to provide those services is declining in some, particularly rural, areas. This reinforces the need to 'do more with less'.

5. Governments are increasingly required to have greater capacity to understand and respond to complex and frequently competing issues, and to provide services that are both tailored to individuals' needs and aligned with national priorities. This fragmentation in society could be solved through (targeted) digital applications.

6. Government digitisation could help governments save and generate more than USD 1 trillion annually worldwide. This opens the door for investment and innovation.

7. The effects of globalisation mean that countries and municipalities must vie for investment, workers and knowledge. Digitalisation can help increase a country's global presence and high-quality digital services can increase attractiveness in the global economy.

8. The public sector can learn from and mimic some aspects of private sector digital strategies, benefiting, for example, from economies of scale in supply and demand.

9. Private sector digital business models are relevant for governments because the public sector needs to understand and manage the new market in order to buy services from it. Adopting digital strategies can help PES stay connected to the markets in which they operate.

10. Governments are lagging behind other organisations in terms of adoption and use of technology. This creates problems of legacy, especially when governments are several generations of technology behind. Staying current using a flexible digital strategy can prevent investment gaps from becoming too large.

In addition, many governments:

- Do not have the capacity to monitor the costs and benefits of new technologies and trends. PES could solve this problem through collaboration within their country with other governments, as well as beyond their borders (e.g. through the PES Network).
- Fail to adapt to the rapidly changing digital context. PES could solve this by choosing to opt for a more radical digital transformation in which they revise their organisational structure and decision-making processes alongside an increased use of technology.
- Do not have the necessary political support for the use of digital opportunities as an integrated element of overarching public sector reform agendas. PES could solve this problem through the creation of better business cases for change, supported by data and efforts in the areas of PR, lobbying and best practice development.

Figure 4: Key elements within an organisation affected by digital initiatives
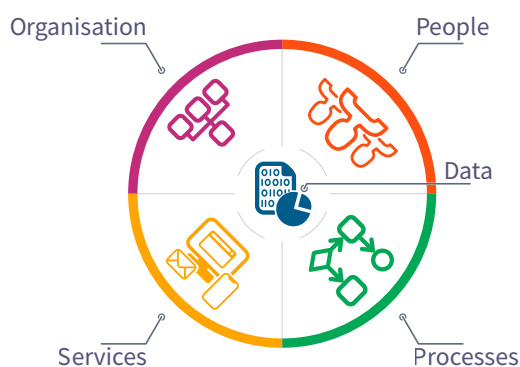
2.4 Variables: Components of a strategy

As mentioned above, a (digital) strategy consists of three components: goals, steps and variables. Variables refer to:

- The key elements in the organisation affected by digital strategies
- The environment in which the PES operates
- Contingencies impacting possibilities and limiting opportunities

Many of these variables can determine the success of the strategy and therefore some of these can be considered the critical success factors (CSFs) towards realisation of the strategy.

Organisation

The extent to which organisational factors such as structure, culture and communication are affected will depend on the type of digital initiative (digitisation, digitalisation, or transformation). For example, a process of digitisation is less likely to affect organisational structure than a full digital transformation.

Key questions for the organisation:

- Does the current structure align with future or aspirational ways of working? If not, what changes do we need to make in the organisational structure (e.g. in terms of flattening the structure and cutting through silos)?[4]
- Does the culture we have (e.g. the norms and values in the organisation) fit the planned future ways of working? If not, how can we drive a new type of culture that fits a digital organisation?[5]
- How do we want to communicate internally in the future? What types of tools are needed for effective and efficient internal communication?[6]

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4 Also see the Thematic Paper 'From blending to omni-channelling': https://ec.europa.eu/social/BlobServlet?docId=18865&langId=en

5 See here for examples of digital culture and how to change them: https://www.entrepreneur.com/article/249174

6 See here for an overview of communication changes in digital transformation: https://fowmedia.com/communication-changes-in-the-digital-transformation/

People

The people aspect refers to the role of employee talent, and the leadership needed to implement any digital initiative, as well as factors such as the resistance in the organisation.

Key questions for the organisation:

- Do our people have the right skill sets and connections to succeed in the future work environment? This is an area where the research field of 'People Analytics'[7] could help the PES create insights in the functioning of its talent.
- How can we lead the digital transformation and create a sense of urgency at the top of the organisation? A 2013 study[8] found that 40% of higher-level managers see the lack of a sense of urgency as a key barrier to the success of digital transformation. Making sure leaders are on board and can help guide the initiative is a key factor for success.[9]
- How can we mitigate against resistance to change? Analysing the level of resistance to change and developing strategies to overcome resistance are key enablers for successful change.[10]

Services and service delivery

This concerns the way in which the PES interacts with clients and how it delivers its services (the front office).

Key questions for the organisation:

- How will the channel strategy evolve in the future?
- What are current channel behaviours and how are customer channel preferences and behaviours expected to change in the future?
- What is the role of service design and elements of UI/UX?[11]

7   For a good explanation, see here: https://hbr.org/2018/11/better-people-analytics

8   https://sloanreview.mit.edu/projects/embracing-digital-technology/

9   See here for an overview: https://www.zdnet.com/article/digital-transformation-part-4-the-role-of-leadership/

10 See here for a discussion: https://blog.changefirst.com/the-trouble-with-digitization-how-to-overcome-internal-resistance-to-digital-transformation

11 See https://careerfoundry.com/en/blog/ux-design/the-difference-between-ux-and-ui-design-a-laymans-guide/

- How are connections between front office and back office expected to evolve in the future (also see next point)?

Process

This factor refers to the role of the back offices, processes and process design, as well as the IT systems used for processing and transactions. As with all variables, depending on the type of digital initiative, back offices could be more or less impacted by the strategy.

These are some key questions for the PES to answer while planning a digital strategy:

- What is the level of digitalisation in the back office? How well connected are systems, how old are they and is there any legacy that needs to be addressed?
- What is the level of and what are the possibilities of systems' integration within the PES and across the PES with other (relevant) organisations?
- How is the back office going to change due to the digital initiative? Are the changes in processes marginal or do processes need to be re-designed completely?

Data

The last variable is data. This refers to data as a product used in processes as well as data as a tool to measure success. Furthermore, the increasing importance of data in itself is a catalyst for change. Data offers tremendous opportunities as a resource within PES, both as essentially the product being processed and as a by-product that can be used to measure efficiency and effectiveness of the organisation. When planning a digital initiative, the PES could benefit from unlocking the potential of data.

These are some questions to ask when planning a digital initiative:

- Are all data about the client and processes integrated, unified and accessible? If not, what steps need to be taken to create a unified overview?
- What are the new types of data that can be generated from the digital initiative and how can they benefit the PES (e.g. new systems data that can be used to monitor and evaluate processes)?

The environment in which the PES operates

In addition, what the PES does, and the digital strategy the organisation develops, are influenced by the environment in which the PES operates. These include:

- Political factors, such as the broader political agenda
- Economic aspects, such as the developments in the labour market and austerity
- Societal, such as demographic changes impacting customer characteristics and behaviours
- Technological, such as new technologies that could provide opportunities and threats (see the SWOT analysis in section 3.3). Another is formed by the existing technological legacy in the organisation
- Legal: the judicial context in which the PES operates that could restrict (or create) opportunities. The GDPR is a good recent legal variable impacting PES digital strategies
- Environmental: these include ecological and environmental challenges, such as the weather and climate change

Combined, these represent the PESTLE variables and tools to assess the environment, which will be discussed in the next chapter.

Contingencies impacting possibilities and limiting opportunities

The last group of variables consists of those contingencies that impact whether the PES can execute the digital initiative. These consist, for example, of:

- Financial and budgetary constraints as determined by the organisation's leadership or parent organisation (such as ministries of labour).
- Broader innovation agendas set at a higher level (for example country-wide innovation and digital agendas) that could impact digital initiatives.
- Plans and initiatives at other organisations that the PES collaborates with.

In summary, the number of variables the PES needs to focus on when planning and executing digital initiatives is quite large. PES, like other organisations, do not operate in a vacuum and the development of a strategy will be more likely to succeed when the PES is aware of the internal and external variables that determine the status quo and are likely to impact successful strategy development and execution.
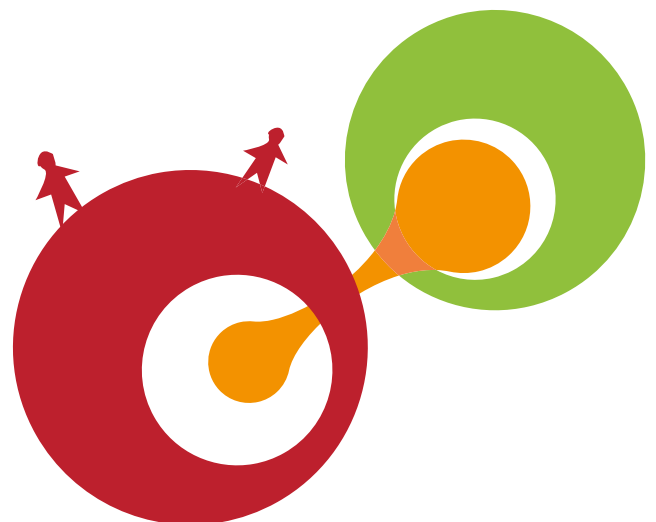
3. DEVELOPING A DIGITAL STRATEGY

In this chapter we propose five steps a PES can follow when developing a digital strategy. These steps start at the highest-level goals of the organisation and guide the PES down towards the operational elements of strategy execution.

In developing a strategy, we distinguish between the following steps:

Step 1. Preparing long-term goals & developments: mission & vision

Step 2. Defining the end-point: goals of digital strategies

Step 3. Analysing the status quo: factors & variables

Step 4. Planning the journey: the strategic plan

Step 5. Learning & adjusting: the role of measurement & evaluation

3.1 Step 1. Preparing long-term goals & developments: mission & vision

The first step in developing a digital strategy is to analyse the long-term goals of the organisation. This is important because it a) helps to manage expectations about what the strategy can achieve and b) ensures the alignment between the digital strategy and higher-level goals such as those expressed in the mission and vision of the organisation.

In this step, three questions are of key importance:

1. **Does the organisation have a clearly defined mission and vision statement upon which the strategy can be based?**

   If yes: the PES has a broader framework in which the digital strategy can be framed and developed.

   If no: the PES should invest in a mission and vision statement that provide guidance and are clear (unambiguous) enough so that a strategy can be aligned with it.

2. **Do the vision and mission contain components relating to digitalisation and/or digital transformation?**

   Often (as is the case in the example of the Dutch PES in figure 5), the mission and vision are guiding for the organisation as a whole, but do not contain ambitions that can help the organisation in terms of digital plans and initiatives.

Figure 5: Mission and vision of the Dutch PES (UWV)

About us

UWV (Employee Insurance Agency) is an autonomous administrative authority (ZBO) and is commissioned by the Ministry of Social Affairs and Employment (SZW) to implement employee insurances and provide labour market and data services.

The Dutch employee insurances are provided for via laws such as the WW (Unemployment Insurance Act), the WIA (Work and Income according to Labour Capacity Act, which contains the IVA (Full Invalidity Benefit Regulations), WGA (Return to Work (Partially Disabled) Regulations), the Wajong (Disablement Assistance Act for Handicapped Young Persons), the WAO (Invalidity Insurance Act), the WAZ (Self-employed Persons Disablement Benefits Act), the Wazo (Work and Care Act) and the Sickness Benefits Act.

– Core task and ambitions

UWV has core tasks in four areas:

- employment – helping the client remain employed or find employment, in close cooperation with the municipalities;
- social medical affairs – evaluating illness and labour incapacity according to clear criteria;
- benefits – ensuring that benefits are provided quickly and correctly if work is not possible, or not immediately possible;
- data management – ensuring that the client needs to provide the government with data on employment and benefits only once.

– Vision and mission

People are at their best when they can participate in society by working. Society functions best when as many people as possible participate in it by working. It is our mission to work with our partners to make a difference for people by promoting work. If work is impossible, we ensure that income is available quickly.

Source: https://www.uwv.nl/overuwv/english/about-us-executive-board-organization/detail/about-us/vision-and-mission

Figure 6: Impact of broad definition of vision on strategy
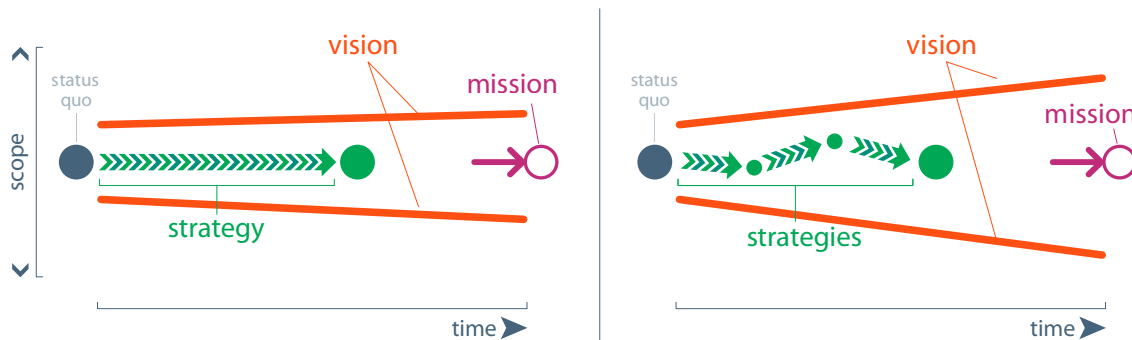
If there are clear overarching ambitions regarding digital strategies, the strategy can be built on this directly. If this is not the case, the PES needs to either include these in the mission/vision or derive strategic goals in the spirit of the current longer-term ambitions.

3. **How specific is the guidance provided by the mission and vision?**

If the mission is not clearly described, or the vision is worded vaguely or described in very broad terms, it is difficult to create a strategy that pushes the organisation forward in one clear direction (see figure 6). The more broadly defined the vision, the more likely the strategy is to start moving back and forth within the boundaries of the vision. At the same time, if the mission and vision are very restrictive, the organisation may not have enough flexibility to pursue its strategies. Therefore, finding the right balance is a key variable for success.[12]

Useful tips & tricks

- **Revisit mission and vision occasionally**
  While mission and vision are longer-term guiding principles, they should not be set in stone and there is nothing wrong with altering them and/or adding clarity in certain areas. Adding longer-term ambitions and/or expectations regarding digital behaviours can keep mission and vision current.

- **Be transparent**
  Even though the mission and vision primarily guide the organisation's strategies, there is a benefit in being open and transparent about

where the organisation wants to go. This can help manage expectations (both internally and externally) and foster alignment between different strategies.

3.2 Step 2. Defining the end-point: goals of digital strategies

Once the PES has created clarity about its long-term goals, it is time to create the specific goals or objectives for the digital strategy. To some extent these can be derived from the principles discussed in the Thematic Paper on this topic, as well as chapter 2 of this starting guide. In setting goals for the digital strategy, the PES needs to decide on the scope of the digital strategy (is it in the realm of digitisation, digitalisation, or digital transformation?) and subsequently define the exact goals its wants to achieve.

In general, strategic goals break down into two types: internal goals and external goals. Commonly, internal or institutional goals focus on *costs, benefits and efficiency*,[13] whereas external goals tend to focus more on aspects such as *satisfaction and trust*.[14] For PES and digital strategies it makes sense to consider the internal goals (what does the digital strategy mean for costs, benefits, and efficiency?) in conjunction with the external goals (what does the strategy mean for satisfaction and trust?). There can be a negative relationship between internal and external goals (for example too much focus on internal efficiency could lead to lower customer satisfaction). Finding a balance between these goals is one of the main challenges the PES needs to overcome when creating the strategy.

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12 See here for more information and guidance on development of the two statements: https://www.mindtools.com/pages/article/newLDR_90.htm
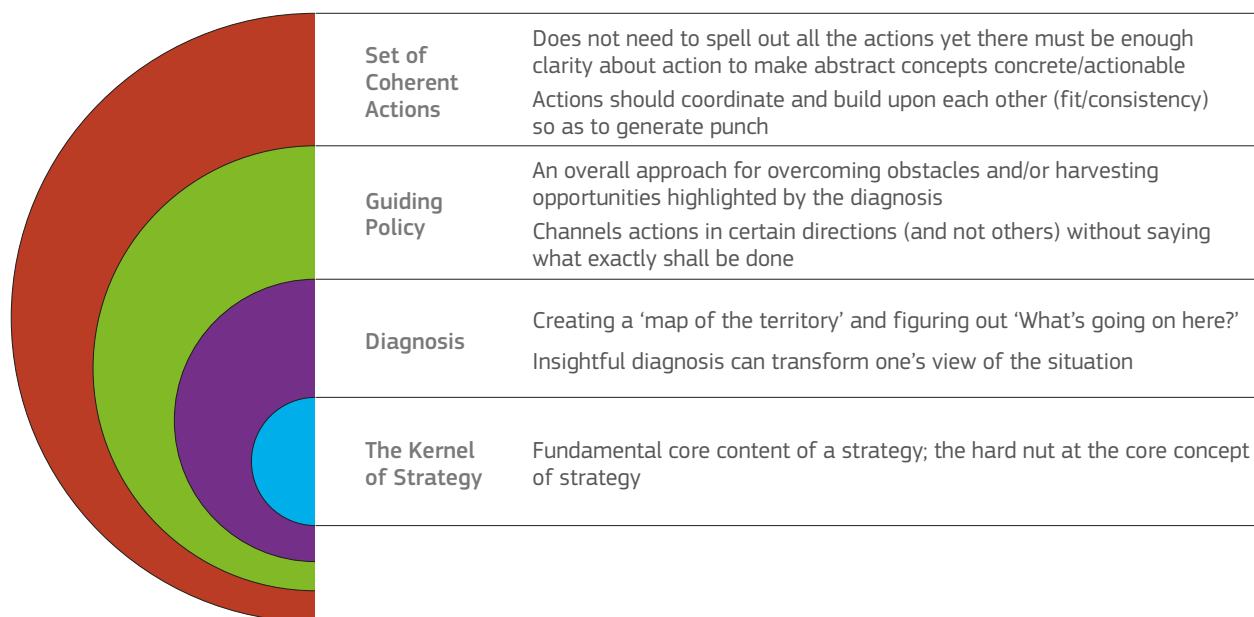
13 El-Haddadeh et al., 2013: http://linkinghub.elsevier.com/retrieve/pii/S0378720613000153

14 Carter and Weerakkody, 2008: https://link.springer.com/article/10.1007/s10796-008-9103-6

Strategy Concept: The Kernel of Strategy[15]

Any strategy is often part of a series of activities within the organisation. Often strategy is compared and equated to (guiding) policy development, but they are distinct concepts. The alignment between the different concepts can be illustrated by Rumelt's Kernel (figure 7).

This figure showing the kernel with a number of outer shells is comparable to the outline we propose in this document and can be used to further diagnose the organisation and help define strategy.

Figure 7: Rumelt's Kernel

Set of Coherent Actions	Does not need to spell out all the actions yet there must be enough clarity about action to make abstract concepts concrete/actionable
	Actions should coordinate and build upon each other (fit/consistency) so as to generate punch
Guiding Policy	An overall approach for overcoming obstacles and/or harvesting opportunities highlighted by the diagnosis
	Channels actions in certain directions (and not others) without saying what exactly shall be done
Diagnosis	Creating a 'map of the territory' and figuring out 'What's going on here?'
	Insightful diagnosis can transform one's view of the situation
The Kernel of Strategy	Fundamental core content of a strategy; the hard nut at the core concept of strategy

However, setting strategic goals goes beyond simply setting a target. In the Thematic Paper on this topic, we already argued that it makes sense to develop strategies that:

1. Are **flexible**, i.e. there is room to make adjustments over time

2. Are **data-driven**, i.e. continuously collect data to track progress towards meeting goals

3. Have scheduled **evaluations** in which the collected data are being used to stay on course or to adjust plans accordingly.

Some guidance in terms of what these goals could look like and which elements should be considered when developing a strategy is provided by the OECD (2016, see figure 8).

The creation of goals for a digital strategy is usually tied into the creation of a *business case* as to why the PES should pursue this digital strategy. A business case is a document describing *why* the

organisation should pursue a certain project or activity. Any team involved in the development of a digital strategy could benefit from the creation of a business case as it will help in creating alignment within the team about the strategic goals, as well as convince stakeholders of the necessities of the digital strategies. The following are considered good elements to include in a business case:[16]

- **A Scenario Analysis**
  In which the team describes different versions of the plans based on different outputs (for example scenarios aimed at digitalisation or digital transformation). This allows decision makers to compare options and weigh up the pros and cons of different scenarios.

- **Clear definitions and a link between every 'cause' and 'effect'**
  Identifying what is affected by what, and what exactly that means, can greatly help in increasing understanding and support of a digital strategy. For example, creating a link between how an investment in digital service channels

15 https://thecustomerblog.co.uk/2012/10/08/what-is-the-kernel-of-strategy-part-iv-coherent-action/

16 See https://www.industryweek.com/articles/five_elements_to_include_in_a_compelling_business_case_15594

Strategy Concept: Principles of Digital Government Strategies

The OECD recommends that any digital (government) strategy should focus on the creation of (public) value through the use of information and communication technologies (ICT). They provide 12 principles divided across 3 different categories of principles the organisation could consider when developing a strategy (figure 8).

Figure 8: The OECD's 12 principles of strategy development

Openness and Engagement	Governance and Coordination	Capacities to Support Implementation
1. Openness, transparency and inclusiveness 2. Engagement and participation in a multi-actor context in policy making and service delivery 3. Creation of a data-driven culture 4. Protecting privacy and ensuring security	5. Leadership and political commitment 6. Coherent use of digital technology across policy areas 7. Effective organizational and governance frameworks to coordinate 8. Strengthen international cooperation with other governments	9. Development of clear business cases 10. Reinforced institutional capacities 11. Procurement of digital technologies 12. Legal and regulatory framework

← **Creating Value Through the Use of ICT** →

While we do not regard this list as final or prescriptive, the PES can derive inspiration from these principles.

could lead to a reduction in face-to-face contacts and thus save money, could augment the need to invest in digital channels.

- **Clear identification of the KPI(s) for each goal** (see also section 3.5)
  Being able to measure success can help sustain the momentum and prove the success of the digital strategy. An added value is that being able to translate goals into KPIs helps in creating concrete and measurable objectives.

- **Assess the (economic) risk of no investment**
  While most digital strategies will require an investment (in terms of (financial) resources) from the PES, the PES should also consider the consequences of not investing in the digital strategy. For example, what are the risks of non-compliance with the GDPR? What are the costs of customer contacts caused by flawed IT systems? What are the costs of dealing with complaints because the PES digital offerings are far behind jobseeker and employer expectations? The PES could consider these costs to strengthen the business case.

- **Alignment with the organisation's (other) strategic goals**
  While the PES should always analyse how the digital strategy ties into other strategies and strategies' goals (also see chapter 2), it could be beneficial to make these ties explicit when creating the strategy. This could create internal alignment and help the decision makers see how the digital strategy fits into the bigger picture.

While the creation of a business case should be relatively straightforward, in practice it is often far from easy. Often problems arise and, in practice, business cases:[17]

- are ineffective when the vision for a future digital organisation is unclear
- fail to represent large-scale and complex transformations
- often fail to make a convincing economic case that can be approved when finances are tight

17 Howes & Bishop, 2018: https://www. instituteforgovernment.org.uk/sites/default/files/ publications/Digital_Transformation_final_WEB.pdf

- may be produced by staff who lack experience
- fail to effectively represent uncertainty
- can lock programmes into fixed and unrealistic timelines and milestones
- are not used as dynamic 'live' documents.

Furthermore, when creating goals and the business case for change, the PES should make sure progress towards these goals can be measured (see section 3.5 for step 5).

Useful tips & tricks

1. **Create an adaptive strategy**[18]

   In today's organisational environment, it is important to create strategies that break free of static plans and are adaptive and directive. Such strategies emphasise learning and control as well as flexibility and/or agility (see description of both terms below). The best way to do this is by not setting stringent long-term goals, but to revisit goals from time to time and allow flexibility in terms of goal realisation.

2. **Always create a business case**

   A solid business case is one of the most compelling justifications for the organisation to adopt a digital strategy. Even if the business case is only used internally, it can greatly help in finding the right reasons for the digital initiative.

3.3 Step 3. Analysing the status quo: factors & variables

The status quo defines where the PES stands at present and thus provides the starting point from which the digital strategy can be implemented. Analysing the current situation can create clarity about what the PES needs to do, simply because the strategic plan follows from where the organisation currently is (the status quo) and where it wants to go (as described in the mission, vision, and (digital) strategy). The questions provided in the previous chapter can help the PES gain an understanding of where it currently stands in terms of the main internal elements affected by digital strategies (organisation, people, services, process and data).

A tool that can be used in the organisation to get a global overview of where it can improve and what the variables are that the organisation should pay attention is the SWOT analysis (figure 9).[19]

Figure 9: SWOT analysis

- **Strengths**
  These are the factors that are currently going well in the organisation. These strengths need to be maintained and could be exploited when creating a digital strategy. For example, when a PES has high customer satisfaction (despite, for example, a low process efficiency), this could be considered a strength. For any digital strategy, the implication is that customer satisfaction needs to be monitored, but is not a focal point for improvement in the service delivery of the PES. This allows the PES to focus its resources.Weaknesses

- **Weaknesses**
  Weaknesses are similar to strengths, but instead of being supporting factors in achieving goals, they can hurt or even block the success of a digital strategy. For example, if the organisation finds that its employees have insufficient digital skills to adopt and utilise digital technologies, this could be considered an organisational weakness.

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18 See Thematic Paper 'Creating digital strategies': https://ec.europa.eu/social/BlobServlet?docId=20126&langId=en

19 For more information and guidance, see https://www.mindtools.com/pages/article/newTMC_05.htm

- **Opportunities**
  These are the areas where the PES sees potential to improve (drastically). For example, if marketing research shows that citizens (or more precisely, jobseekers) tend to use digital channels frequently to interact with private businesses, but not so much to interact with government (or more specifically, PES), this might point to an opportunity within the PES to increase the number of digital contacts and thus increase PES efficiency.

- **Threats**
  Threats are the external areas that could harm PES digital strategies. In this case, this particularly applies to new societal and technological developments. For example, new job platforms could threaten a PES' capability of successfully providing labour mediation services. More fundamental changes in human behaviours (for example the increase in labour mobility due to globalisation) could pressurise service delivery models.

Analysing the environment can be done using the STEP approach, or its extended version, PESTLE (see section 2.4).

Useful tips & tricks

- **Status quo as a moving target**
  Even though the analysis of the status quo is part of the strategy development, it is advisable to not make this a one-time affair. As the strategy is being implemented (or while the PES is waiting to start it), the world is likely to change. Therefore, the PES should keep in mind that the status quo is a moving target and should keep monitoring the internal factors, contingencies and external variables. Ideally this would be integrated in the measurement plan (see section 3.5 for step 5).

3.4 Step 4. Planning the journey: the strategic plan

The strategic plan, in essence, covers the sequence of actions the PES plans to take in order to realise the strategic goal. Often, the strategic plan consists of:

- A description of sequential and parallel actions over a set period of time, with sub-goals or milestones as endpoints for each action or phase. For example, complete

digitalisation of service delivery to employers could be a goal that is broken down into several sequential (and partially parallel) actions, such as:
  - » A requirement analysis of the back office systems
  - » An analysis of user needs and requirements
  - » Embedding in existing systems and linkages to databases
  - » Development of the new systems
  - » Testing of the new system and quality assurance
  - » User testing of the new systems
  - » Real-life pilot of the system
  - » Implementation of the new system.

- An overview of all variables included in each action and how the variable is planned to be addressed. For example, the ways in which job counsellors are involved, as well as end-users (such as jobseekers and employers), how legal aspects are being addressed, and whether there is a political dimension that needs to be covered (such as briefings and updates to parliament).
- An overview of resources needed in terms of budget, personnel, technical resources, and others (such as office space).

A strategic plan is custom-made for each project and each organisation and specific plans are likely to vary. However, the variables above tend to always be present in a strategic plan. In addition, the following could be included in a plan:

- Specific role and expectations of personnel and leadership (and the role of the 'digital team' tasked with strategy execution)
- Descriptions of collaboration with partners and plans on how to secure stakeholder buy-in
- Ways in which expectations are managed, for example through a communication or change management plan.
- Specific descriptions of customer involvement (where in the process and how)
- The role of experimentation (e.g. through proof of concepts or pilots)
- The role of evaluation and measurement (also see step 5 in section 3.5).

Including these elements and specifying who does what (and who is responsible for what) can be important elements of a system in which the PES can hold stakeholders accountable for their actions

within the strategic initiative. Creating a working accountability system requires:

- Clear roles and responsibility, avoiding confusion as to who is responsible for what and answerable to whom
- Good control mechanisms, meaning that the individual can control the variables for which they are responsible
- Appropriate amounts of information, so that those holding the stakeholder accountable can do so based on the relevant information
- Clarity of consequences, where it is communicated clearly what the rewards and sanctions are that flow from certain actions.

Tied to this system of accountability are the other tools or 'levers' the people in charge of strategy execution can use. Examples include:

- **Create commitment**
  Creating government-wide and agency-deep commitment to specific digital targets can help in achieving goals.

- **Aim for central coordination**
  Establishment of government-wide coordination of IT investments and initiatives can reduce integration or compatibility issues.

- **Users involved in process design**
  Involving users (e.g. job counsellors or jobseekers) early in the process can aid in reducing resistance or rejection.

- **Hire and nurture the right talent**
  Make sure the team is well staffed in order to ensure proper execution; it is better to spend more time planning and staffing than to rush to get a head start, but get caught in delays later on.

- **Use big data and analytics to improve decision making**
  Trusting instinct and heuristics to make decisions is always tempting. The team can utilise data available from digital tools to create an advantageous knowledge position.

- **Protect critical infrastructure and confidential data**
  While it is tempting to overhaul the entire organisation and its infrastructure, it is always advisable to be cautious when it comes to critical infrastructure and confidential data. The team can create goodwill by having good plans around dealing with these matters.

Besides these, tools such as the Balanced Score card[20] are often used to aid strategy execution.

Lastly, the PES should be aware of certain challenges when executing digital strategies, especially those aimed at transformation:[21]

- It is difficult to maintain management oversight over multiple complex programmes and operational performance
- Wider benefits for the organisation or other parts of government are put at risk when initiatives are executed in isolation
- Those responsible for delivering the long-term operational benefits of transformation are not always those driving change and this reduces the likelihood of success
- Transformation through programmes risks demotivating the workforce, for example because of change fatigue or lack of involvement.

Tips & tricks

- Flexible or agile project management
  Increasingly, projects are realised with flexible approaches, as opposed to more classic approaches towards project management. Often people confuse flexibility with another popular term: agility. They are, however, not the same. Wadhwa and Rao (2003)[22] describe the differences and overlap between flexibility and agility.

  » Flexibility is defined as a predetermined response to a predictable change
  » Agility entails an innovative response to an unpredictable change.

  Flexibility is focused on single systems for low to medium rates of change, while agility is focused on groups of systems to deal with high rates of change. The PES needs to consider whether a flexible approach is needed, or more agile ways of strategic planning.

20 See https://www.balancedscorecard.org/BSC-Basics/About-the-Balanced-Scorecard
21 See Howes & Bishop (2018): https://www.instituteforgovernment.org.uk/sites/default/files/publications/Digital_Transformation_final_WEB.pdf
22 Wadhwa & Rao (2003). https://pdfs.semanticscholar.org/5b81/815e38f37b9a09951787ecbadedec49ef5b0.pdf

3.5 Step 5. Learning & adjusting: role of measurement & evaluation

When creating the strategy and strategic plan, it is important to create a system of measurement, evaluation and adjustment. This is important for two reasons:

1. Firstly, the PES needs to be able to determine which elements of the strategy are going well, and which areas need adjustment.

2. While the PES executes the strategy, both the organisation and the environment in which it operates will change. This could impact the next phases in the execution of the strategy.

When settings goals, it is important to make sure they can be achieved, which in turn implies that the PES is able to measure progress towards meeting these goals. This means the PES should create goals that are quantifiable and measurable. Ideally, the Mission, Vision and (digital) Strategy lead to a series of goals (for which critical success factors can be defined – see figure 10) that are translated into Key Performance Indicators (KPIs) which can subsequently be measured and used to evaluate progress and adjust the strategy and/or its execution as needed. More information about measurement and evaluation can be found in the Starting Guide on Key Performance Indicators.
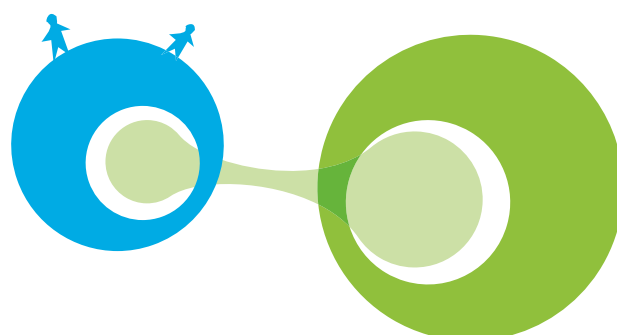
Lastly, measuring is only one part of the feedback loop or learning cycle. When creating the strategic plan, the PES should consider when the strategy will be evaluated and how these evaluations could be used to make revisions to the strategy or its execution.

Figure 10: Critical Success Factors
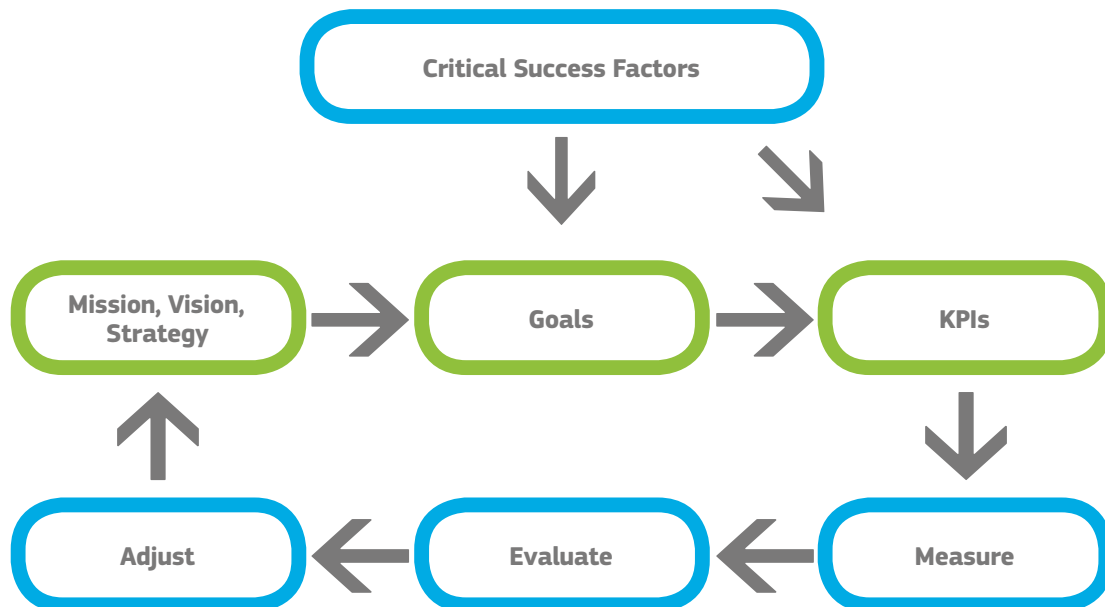
4. GLOSSARY

TERM	ABBREVIATION	DEFINITION
Critical Success Factors	CSF	Those aspects that are considered the key elements needed for an organisation to achieve certain goals
Digitisation	–	Making information and materials digital.
Digitalisation	–	Making services and/or processes digital end-to-end
Digital Transformation	–	Realigning the organisation around digital technologies
Key Performance Indicators	KPI	Those performance indicators of the progress or degree of fulfilment of the organisation's most important goals and the Critical Success Factors contributing to these goals
PESTLE Analysis	PESTLE	Analysis focusing on the following dimensions of the organisation's environment: Political, Economical, Societal, Technological, Legal and Environmental
SWOT Analysis	SWOT	Analysis focusing on Strengths, Weaknesses, Opportunities and Threats.