



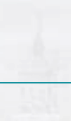
# Digital Transformation of State Government Operations

*How to go from 'doing' digital to 'being' digital  
...a focus on Human Resources and Procurement*

## ***Executive Summary***

SEPTEMBER 2023

# Foreword



*Today's government leaders are overwhelmed by what is required to position their organizations to execute their complex missions in the digital world of the 21st Century; however, it is imperative and urgent for states to adapt to the changing world and customer expectations. While many customer aspects of state government have been digitally upgraded to create better user experiences, the internal operations have been left behind, including Human Resources and Procurement...but opportunities to move these forward have been identified.*

*Together with Deloitte, NASCA collaborated to conduct national research around digitalization of government operations within Human Resources and Procurement to identify and prioritize key issues, determine trends, and understand the perspectives of state leaders. The goal was to provide leaders with insights they can use to inform leading practices, based on practical findings and clear recommendations, and provide a report that can be utilized to advocate to state Governors and/or Legislature.*

*This research effort was intended to promote a better understanding of digital disruption in government operations, and what is likely to come next. Intended outcomes included:*

- Establish a set of prioritized key issues and trends across state governments*
- Equip state leaders with actionable considerations to build a case for change to push their agencies toward the future of digitalized and modern operations*
- Produce a shared understanding of the perspectives of state leaders*

*There's no better time for states to begin accelerating digital transformation of internal operations.*

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# First, let's understand what Digital Transformation means...

**Why and why now** | citizens expect outstanding digital services from state government (55% survey respondents prefer to interact with state government via websites<sup>1</sup>) | digital tools allow government agencies to devote fewer resources to call centers, field offices, and customer service operations without sacrificing quality service (only 30% survey respondents utilize call center opportunities<sup>1</sup>) | attracting top talent requires digital transformation of antiquated recruiting processes to compete with private sector | procurement modernization reduces paper reliance and increases supply savings

## DIGITAL TRANSFORMATION

*entails shifting an entire organization...people, processes, and technology...to make use of digital technology in the service of organizational mission*

**"Digital transformation represents a fundamental shift in an organization's operations, culture, and how it delivers value to stakeholders through digital technologies."**

The diagram consists of three text labels connected by dotted lines to a central quote. 'large-scale change' is at the top right, connected by a vertical dotted line to 'fundamental shift'. 're-imagines existing delivery models' is to the right, connected by a horizontal dotted line to 'delivers value'. 'technology-enabled' is at the bottom center, connected by a vertical dotted line to 'digital technologies'.

### DIGITAL TRANSFORMATION IS NOT

Digital transformation is often confused with IT Modernization and other adjacent initiatives that can play a role in broader digital transformation efforts but are not digital transformation by themselves.

### DIGITAL TRANSFORMATION VS DIGITALIZATION

Digital transformation is about using technology to enable new ways of working and driving innovation. Digitalization is about applying technology to improve existing processes and workflows.

### ENHANCING THE USER EXPERIENCE

*If performed in a manner aligned with the organization's values, digital transformation can significantly improve existing processes, creating faster, more efficient, and cost-effective solutions that create an enhanced user experience.*

<sup>1</sup> [The Digital Citizen](#)

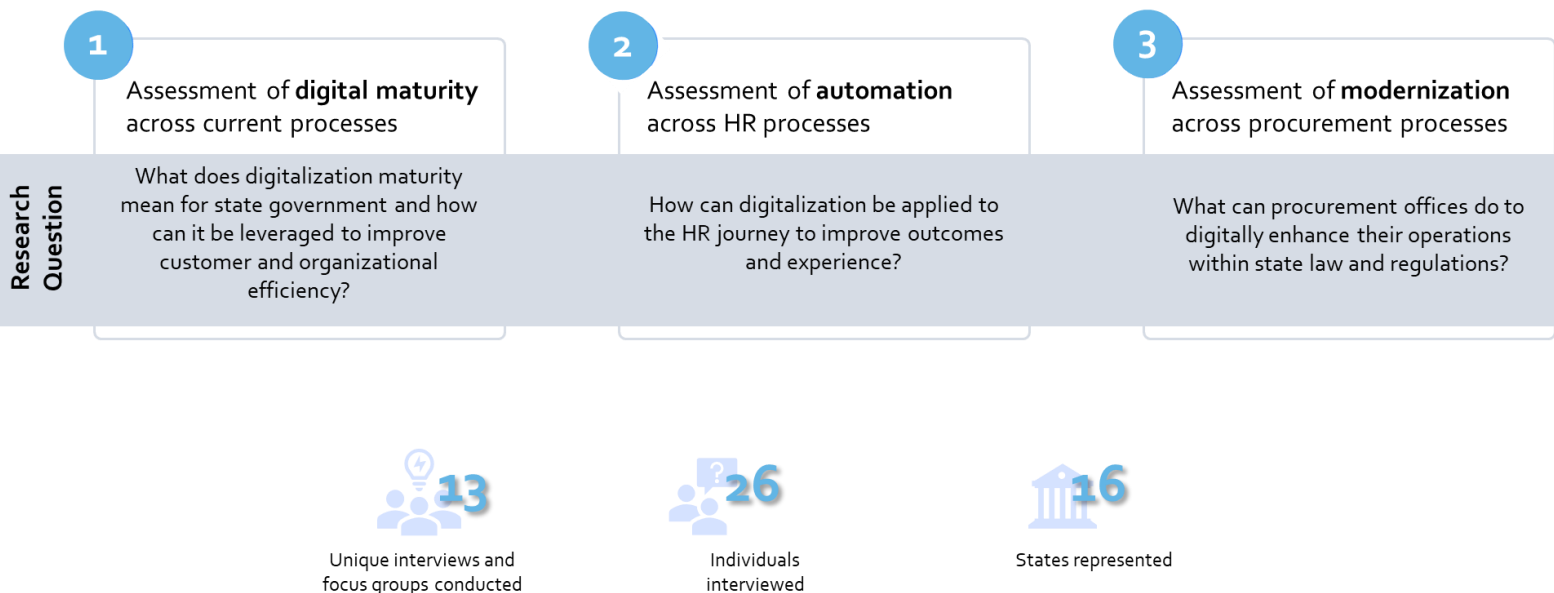
# Joint NASCA and Deloitte Research Project

NASCA and Deloitte partnered to conduct research on digital transformation in state government across three topics. We interviewed Chief Administrative Officers, Procurement Officers and State Executive Leaders to gain an understanding of maturity levels, challenges, trends, and insight into transformative efforts underway.

## OPPORTUNITY TO SOLVE

While many **customer and client-facing aspects** of state government have been **digitally upgraded** to create better user experiences, the internal operations have been **left behind**.....including **Human Resources and Procurement**.

## High-level overview of our methodology



# Digital Maturity Scale & Where States Are Now

*This maturity scale was used to assess the level of digital maturity across the HR and Procurement functions within state government.*

## TRAJECTORY



### Beginner

Fragmented legacy IT systems, separated data sets, and manual HR or Procurement workflows

*(Example: Requiring extensive interactions to proceed which could lengthen time to close transactions and human errors)*

- Excel spreadsheet tracking
- Paper applications
- Workflow via email



### Active

Taken strategic steps toward implementing or investing in digital technologies with processes and services somewhat automated

*(Example: A combination of digital training for HR processes, datalake in place, end-to-end platforms with policies in place to enable further enhancements, lack of integration between procurement systems)*

- CRM implemented but records still maintained in file cabinets
- Online skills training but not connected to career transcript
- Limited stakeholder access to procurement tools



### Advanced

Front-end and back-end processes are fully automated, proactively using predictive data and analytics in decision-making

*(Example: Established governance in place to continually mature and invest, fully integrate into core business processes, all employees trained and can access and use analytic tools, with policies evaluated for their potential to incent use of digital tools)*

- End-to-end online hiring process with mobile capability
- Enterprise-wide streamlined procurement processes
- Procurement tool fully integrated with ERP and widely accessible to variety of business users

***While most participants rated their state between Active and Advanced, nearly every state representative said their digital maturity ranged greatly between individual functions, which are at various stages of maturity.***

## Key takeaways from interviews with NASCA state officials



### Digital Maturity Varies Widely

**States are in different places, as are various functions** within HR and Procurement (ie: on-line job search vs training vs performance management, etc.)



### Benefits are Clear

No matter where on the digital maturity curve a state placed itself, all states said they **WANTED TO DO MORE GOING FORWARD**. This indicates that those who have gone digital have experienced sizable benefits and want to do more



### Poised to Advance Rapidly

Both those early on the curve and those more advanced have **plans for future digitization**



**Read more about  
Digital Transformation**

# Human Resources

## WHAT WE HEARD

*A snapshot of why now and insights from interviews and focus groups*

## OUR FOCUS

How can digitalization be applied to the HR journey to improve outcomes and experience?

- Recruiting & Hiring
- Onboarding
- Performance Management

### BUSINESS INTELLIGENCE

*"When we talk about data analytics, we really mean reporting. We are **not applying any intelligence** or informing decision making."*

### GOVERNANCE

*"We can see employee records but can't see class and comp requests because **it's a piece of paper that's on people's desks.**"*

### UPSKILLING

*"**Expertise is a huge bottleneck** – need experts to make sure departments are supported, while supporting the implementation of a new system."*

### TECH INVESTMENTS

*"Would be better if we **invest in a new tool** versus trying to get modules to work in the current system."*

# HR CHALLENGES FOR DIGITAL MATURITY

## *HR Experience*



### **JOB POSTINGS**

Inability to effectively engage existing talent digitally or attract new talent accustomed to the digital workplace, extreme lapse in time from application to job offers



### **ONBOARDING**

Labor intensive, manual processes preventing effective employee experience, no up-to-date process guides, few opportunities for virtual onboarding



### **TRAINING/LEARNING & DEVELOPMENT**

Few opportunities for virtual training, workforce culture and mindset are not keeping pace with the current technology solutions, noted skills-gaps due to lack in development

## *Data Challenges*

### **DATA ON HIRING PRACTICES**



Unable to track number of candidates recruited, applied, processing, time to onboard or length of employment due to no viable analytics

### **PERFORMANCE MEASURES**



Low-performing set of talent capabilities and use of analytics to sustain performance or identify skills-gaps, high-achievers, salary/bonus opportunities

### **TIME & ATTENDANCE**



Manual time-sheets create tedious tasks, approximations, errors, inability for management analysis, and unable to track time across devices or provide reporting methods



# HR: KEY INSIGHTS

Enterprise **back-office digital transformation** is an imperative; it's required to meet operational, security and data-driven decision making

The pandemic proved that state government can make real progress leveraging **digital tools**; states can **increase their efficiencies and the talent experience** (e.g., by making **use of automation, using data analytics** for greater transparency into their HR data, and more).

The **unified nature of state government either drives or challenges** every aspect of digital transformation

States grapple with the tension between **centralized and decentralized HR operations**--the flexibility of each department creating their own solutions versus the efficiency of a single, enterprise-wide HR solution. More often than not, we heard that individual departments had created customized solutions, causing a **lack of integration between HR systems, process inefficiencies, and data reporting challenges**.

**Attracting and retaining talent** is a significant deterrent for undertaking or completing digital transformation projects

Attracting and retaining talent is difficult for all areas in government, there is a growing digital and technology **skills gap within the workforce** including data scientists required to drive a culture of data-driven decision making. Leaders are asked to look for strategies to improve the citizen and employee experiences, the knowledge, skills and abilities (competencies) of the state workforce is evolving and **states must recruit and retain a more digitally fluent workforce**.

Funding is an ever-present roadblock, but a **solid business case** can help

State government funding for digital transformation can be difficult to obtain given the long-term and heavy investment required, but building a **business case that includes Cost Analysis and Return on Investment measures** can help state executives better position and advocate for funding. Establishing a **charge-back model to fund statewide digital transformation efforts** could be effective with the appropriate stakeholder engagement early in planning.

**Organizational culture** plays a critical role in the success of digital transformation

How innovative and adaptable to change an organization is can increase the success of digital transformation efforts. **Deploying a change management strategy**, starting with the planning and design phases, can help gain employee and user buy-in and mitigate common traps for realizing a successful vision for transformation.

Public sector organizations struggle **to adopt a clear digital transformation strategy and keep pace** with advancing technology

Many states **do not have a clear digital transformation strategy** for the back office. The rapid evolution of industry capabilities makes it difficult to identify technology solutions which best meet the needs of public sector organizations. Rather than face this transition, **many organizations maintain legacy systems with low capability**, or invest instead in a specific tool, rather than adopting a holistic expression of how technology can enable their organization.

Data **only enables reporting**, not insight

For many states, data enables reporting, compliance, and audits but **does not provide decision makers with data-driven insights to achieve value**. There is an almost universal desire to more effectively use data to achieve savings, increase negotiating power, and consolidate duplicate spending and processes. Many states **do not have a way to track performance of KPIs electronically or easily identify historically poor performing vendors** when making source selection decisions.



# Procurement

## WHAT WE HEARD

*A snapshot of insights from interviews and focus groups*

## OUR FOCUS

What can procurement offices do to digitally enhance their operations within state law and regulations?

- Digital and Insights (e.g., analytics, integrations)
- Purchase to Pay
- Source to Contract
- Supplier Management

### CUSTOMER EXPERIENCE

*"The focus is on improvement of services to the customer...transitioning to becoming **less paper reliant**."*

### CULTURE

*"The agency director level needs to be more engaged. Need to get **buy-in explaining the "why"** before giving people the "what"."*

### CHALLENGES

*"Budget, resources, people in place for implementation; **choosing the right technology** are the main barriers to digital transformation."*

### TECH INVESTMENTS

*"Leveraging data analytics have been an **antiquated/fragmented approach** and no streamlined process."*

# PROCUREMENT: CHALLENGES FOR DIGITAL MATURITY

## Organizational Challenges



### **ORGANIZATIONAL MINDSETS**

Organizational mindsets and having a willingness to approach the unknown and shift in a new direction should be the foremost focus in order to commit to digital enablement



### **ORGANIZATIONAL LIMITATIONS**

Relatively immature procurement operations and limited funding impact the ability to drive process improvement efforts and provide adequate staffing needs to enable technology enabled transformation



### **SILOED ORGANIZATIONS**

Procurement organizations are comprised of separate team/roles which vary widely and are reliant upon numerous existing legacy systems in place. Additionally, organizations are looking to attract procurement resources with capabilities to lead and sustain end-to-end procurement transformation

## Process Opportunities

### **USER-CENTERED DESIGN**



Elimination of redundant tasks through automation of functions focusing on improving the end-user experience and addressing critical procurement challenges that are most impactful in improving process efficiency and transparency

### **DATA ANALYTICS**



The enterprise systems' construction and current processes have created difficulties in enabling the push towards creating an environment where data-driven decisions can be used

### **TECHNOLOGICAL AGILITY**



Lacking ability to retrieve data in real time to support data-driven procurement and management decisions. Limited KPIs are readily available to provide spend visibility and track procurement compliance and reporting

# PROCUREMENT: KEY INSIGHTS

Operational Structure and roles in the organization have **siloed decision-makers**

Multiple states have **organizational structuring splitting the Procurement group away from others** within the business. This division differentiates the strategies allowing for **targeted funding requests** rather than the current, “one size fits all” mentality directing fundings & strategies.

Digital tools **enable higher impact** initiatives, reducing inefficient processes

Numerous states look to leverage data as an enablement tool for administrative and financial procedures but does not provide insights, either based on historical trend analyses or archived events. **Automation of reporting to assess operational metrics as well as direction** are key variables into selecting the best system for organizations.

Data analytics and management intelligence feel **unobtainable and out of reach**

All states summarized an ultimate digital transformation goal stemming from reliance on paper processes and siloed systems that all complicate the **need to use data analytics to drive business decisions**. Lack of these numerous but consistent inputs creates an environment where these next steps are simply out of reach.

Establishing an **action-oriented roadmap to reach Procurement Digital Transformation**

An inclination towards **developing procurement digital transformation goals and supporting roadmap** to demonstrate year over year progress will garnish the level of commitment needed to deliver transformation success.

Identifying value and supporting KPI measures **enhance value delivery** of digital procurement

States did not identify many leading practice benefits of digital procurement. As such, it is imperative to identify **value propositions associated with digital procurement and identify supporting KPIs** and measure them pre and post a technology driven transformation.

# HR & PROCUREMENT TOP PRIORITIES



## Focus on People

Digital maturity is just as much about focusing on the people as it is the technology. “People are our most important asset”. It’s important to empower people across all levels of government with a need for more meaningful work to **attract top talent**, maintain work-life balance, and establish a sense of mission.



## Organizational Culture

How innovative and adaptable to change an organization is can increase the success of digital transformation efforts. **Deploying a change management strategy** can mitigate common traps for realizing a successful vision for transformation.



## Structure

Deciding between a **centralized vs decentralized structure** will help develop a digital strategy that could capitalize on savings, reduce repetitive tasks and allow for integration between systems, drive process efficiencies, and gain data-driven insights.



## Business Case

Bringing stakeholders together to **define strategy and create a business case** is the start to **change management and implementation**, as well as justify funding for digital transformation.



# DIGITAL TRANSFORMATION ACTION PLAN

The transition from transactional to digitalization means finding solutions to the challenges identified, aligning culture, people, and functional tasks to design what meets the level of maturity of each state's ambitions



## Imagine

### Chart your digital ambitions

How can digitalized HR and Procurement help achieve your business objectives?

- Assess current state digital maturity
- Determine future-state maturity level and find the gap between current and future
- Conduct a skills assessment - what skills do you need for a successful transformation and does your workforce have them?
- Review and refresh your SLAs & metrics to accurately measure your progress
- Identify the opportunities and define vision - gain buy-in early and co-create the vision



## Deliver

### Get the concept right

What applicant, employee, and client/customer experiences do you want to deliver to fulfill your state's digitalized goals?

- Prioritize capabilities based on business objectives and mission
- Assess impact to digital maturity of the goal initiatives
- Launch SLAs and other metrics to match your digital goals
- Identify internal or external SMEs & stakeholders to support
- Train leaders, employees, customers, and clients on new mindset, culture, and processes



## Run

### Build and sustain

Scale your goals and sustain performance through shifting behaviors and enhancing experience and engagement.

- Implement digital strategy
- Develop ongoing processes for data analysis and tool updates
- Evaluate process improvement and effectiveness
- Maintain a digital mindset culture for ongoing innovation

The **Digital** Journey Never Ends...

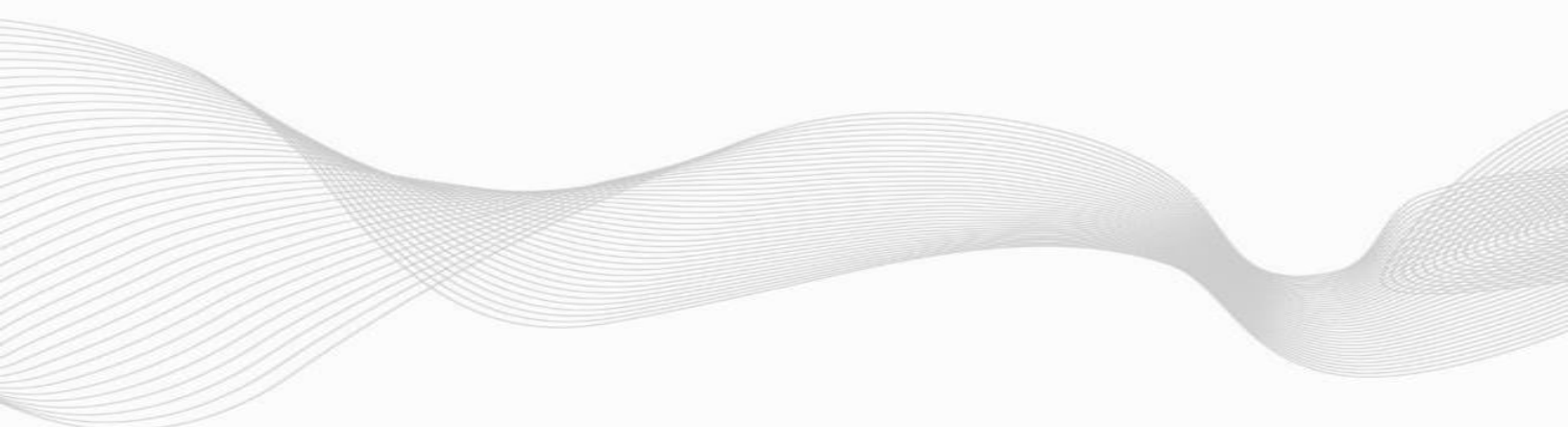
...so, Let's Take the **First Step**

# Thank You

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*Research was informed by 29 executive leaders from 17 states that participated in interviews or focus groups. Thank you to our participants for the generosity of your time and expertise!*

State	Leader
California	Ana Lasso, Sue Griffin, Gary Renslo, Katherine Munnich
Colorado	Tony Gherardini
Indiana	Rebecca Holwerda
Louisiana	Barbara Goodson, Cheryl Schilling
Maine	Fred Brittain, Heather Perreault
Minnesota	Alice Roberts-Davis, Taylor Mills, Betsy Hayes
New York	Moses Kamya
Oklahoma	Janet Morrow
Oregon	Berri Leslie
Pennsylvania	Neil Weaver, Jay Gasdaska, Patti Chapman
Rhode Island	James Thorsen
Tennessee	Christi Branscom
Utah	Windy Aphayrath
Virginia	Joe Damico
Washington	Shalini Joshi, Jamie Rossman, Casey Kiser
West Virginia	Mark Scott
Wisconsin	Kathy Blumenfeld, Chris Patton



# About NASCA

Founded in 1976, the National Association of State Chief Administrators (NASCA), is a nonprofit, 501(c)3 association representing chief administrative officers (CAOs)—public officials in charge of departments that provide support services such as human resources, information technology, procurement, risk management and general administrative services to other state agencies. NASCA provides a forum for CAOs to exchange information and learn new ideas from each other and private sector partners. NASCA engages states in transforming government operations through the power of shared knowledge, operational excellence and thought leadership. More information at [www.nasca.org](http://www.nasca.org).

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*We would also like to acknowledge the many individuals who contributed to this research, including Kelly Knight, Sachi Koulgi, Rhonda Moore, Ryan Shepard, Warren Watts, and Nathan Watson.*

## Let's Connect.

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### <sup>1</sup>About Deloitte

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