E-GOVERNMENT’S NEXT GENERATION

Transforming the Government Enterprise Through Customer Service

Deloitte Research
TABLE OF CONTENTS

Executive Summary .......................................................... 1
Introduction ..................................................................... 5
How “E” Should You Be? .................................................. 7
Build the Business Case: *Link “Online” to the “Bottom Line”* ........................................................................ 13
Tactics: *Creating Online Services or Digital Loyalty and Cost Efficiency* ................................................................. 18
Complete the Transformation: *Implement the Customer-Centric Enterprise* ................................................................. 28
Concluding Remarks ...................................................... 33
Appendix I: *Enterprise Transformation in Action* ............ 34
Endnotes......................................................................... 36
About Deloitte Research .................................................... 37
EXECUTIVE SUMMARY:
E-GOVERNMENT IS GOVERNMENT

For perhaps the first time in history, as governments at all levels and in all global regions embrace e-Government, the public sector can count itself among the leading industries for innovation. The reason is easy to see: Today, governments—or more specifically, e-Governments—are adopting proven best practices and technologies for improving customer service and business performance.1 The impact is enormous, especially on constituents’ perception of government as a responsive entity.

The change is equally enormous for government itself, especially in this new view of citizen as customer. The steady growth of content and functionality on their Internet portals signals that governments are determined to leverage all of the advantages of the “new economy.” In short, the era of e-Government—which is to say transformative government—is very much here to stay.

“
The Internet and technology are fundamentally changing the way... government operates. But it’s not just about giving residents or businesses the ability to interact with government over the Internet. Rather, it’s changing the way we... deliver services.”

Governor Paul Patton,
Commonwealth of Kentucky


<table>
<thead>
<tr>
<th>Customer Service Expectations</th>
<th>Traditional Enterprise Model</th>
<th>Transformed e-Government Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Government-driven</td>
<td>Government-driven</td>
</tr>
<tr>
<td></td>
<td>Cumbersome, many channels</td>
<td>Option for end-to-end self service</td>
</tr>
<tr>
<td></td>
<td>Get in, get out</td>
<td>Enduring relationship</td>
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<tr>
<td>Staff</td>
<td>Overworked or underutilized</td>
<td>Optimized effort-to-value ratio</td>
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<tr>
<td></td>
<td>Distant customer contact</td>
<td>Immediate customer service</td>
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<td>Technology</td>
<td>Silo-serving</td>
<td>Enterprise-serving</td>
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<td>Information Center</td>
<td>Intelligent reporter</td>
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<td>Organizational Structure</td>
<td>Process-based</td>
<td>Competency-based</td>
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<td></td>
<td>Territorial</td>
<td>Shared services</td>
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<td></td>
<td>Outsource to meet today's need</td>
<td>Partner for current and future value</td>
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SOURCE: DELOITTE RESEARCH
In this sense, the Internet represents more than just a new channel for service delivery. On its deepest level, the Internet is a catalyst that challenges age-old assumptions about how governments operate. This is especially true in how governments create value for their constituents—by offering greater convenience and ease of use, better, faster information, and a level of service that customers the world over have come to expect.

In a government context, this shift in expectation is mutual: Customers now expect consistently superior service of government, just as government now expects the Internet to help deliver those services at significantly lower cost. In fact, in just a few short years, the Internet has started to shift the organizing logic of government from a product or process-centric approach to a customer-centric model built on enduring relationships. With this shift, in turn, come new demands—demands that affect everything else inside government, notably, human resources, technical capabilities, and organizational design.

This is the essence of enterprise transformation, which takes into account the broader internal picture of human resources, new technical capabilities, and organizational design. Practically speaking, it means that, just as hundreds of failed e-Businesses have discovered, achieving business goals involves far more than just a singular focus on Internet innovation.

Beyond the Internet, or Internet technology *per se*, e-Government requires an unprecedented degree of organizational agility—an agility that really involves enterprise transformation in the fullest sense. On the most basic level, this means that an organization is able not only to optimize the value of relationships with customers, but also to build a culture capable of making sharp turns at a moment's notice—not once, but over and over again—to support changing constituent demands. In other words, the outcome will be a true linking of front- and back-offices.

**FIGURE 2. A STRATEGIC FRAMEWORK FOR SUCCESSFUL ENTERPRISE TRANSFORMATION**

![Diagram showing the relationship between Agile Organizational Structure, Optimized Customer Relationship Value, and Cost of Service Delivery over time.](source: Deloitte Research)
Just as e-Government is not one-dimensional, enterprise transformation must be more than simply a series of piecemeal efforts. It is the product of an enterprise-wide approach to e-Government. Accordingly, the following holistic, strategic framework will help governments to get past the hype of the new economy and convert the potential of e-Government into real—and lasting—business value:

1. How “e” Should You Be?

With the Internet, customers have a new channel to access government services—a channel that promises them greater efficiency and greater satisfaction through complete self-service, all at lower cost to government. To leverage their early successes, governments now need to focus on the "digital loyalty" of their customers—the degree to which customers use online services. This is the starting point for governments to determine both the scale of their offerings and the investments in transformation that they will need to make to optimize customer satisfaction and costs across all delivery channels.

2. Build the Business Case: Link “Online” to the “Bottom Line”

Choices are tricky—and planning for the real costs of offering customers a variety of channel choices can be even trickier. The truth is, customer mobility between service delivery channels can have a negligible effect on the overall cost of providing a particular service across all channels. Governments—just like banks or other private sector entities—need to understand how technology and human resources investments affect the bottom line.

3. Tactics: Create Online Services for Digital Loyalty and Cost Efficiency

Online services that enable end-to-end self-service can help governments develop digitally loyal customers and also reduce the overall costs of service delivery. The key is to understand the fundamental differences in customer needs and the many technical and human resources commitments required to meet them.
4. Complete the Transformation: *Implement the Customer-Centric Enterprise*

The defining characteristic of next-generation e-Government is the conversion of its potential into real and lasting business value. Doing so will require governments to balance what is possible at the individual customer level—where today’s innovations are focused—against what is practical in terms of fiscal responsibility and political viability at the enterprise level. This is where governments most need a structured approach to implement the transformation elements presented in the first three sections. Accordingly, the following steps will help governments to build a truly customer-centric enterprise for maximum business value; or put another way, to grow e-Government smartly.

From an analysis of the range of e-Government initiatives—and interviews with many e-Government leaders throughout the world—it is clear that, as e-Government moves into more advanced stages, governments have an exciting opportunity to make sure their investments pay off. With this framework for enterprise transformation, executives have an invaluable tool to help them ensure that the public sector remains a leader in innovative customer service.
Just a few short years ago, e-Government was largely synonymous with only the Web-enabling of customer services. Today, however, it is really a metaphor for change—sweeping change in the fundamental ways governments operate to serve their constituents.

When governments began to see the Internet’s potential, people within started thinking more entrepreneurially about Web technologies, and the many innovative ways they could transform public service. As a result, governments have made perhaps the boldest proclamation in the history of public service, namely, that all information and services be available to customers via the Web channel within the near future. Such a statement signifies a commitment to staying on top of the wave of electronic evolution; it also has deep implications for how governments must transform themselves in order to meet the new demands of customer service in the e-Government age.

As many failing e-Businesses realized too late, the Internet alone is no guarantor of enduring success. The general consensus among experts is that e-Business failures were due mainly to unrealistic expectations of the Internet’s commercial power and strategies that had no long-term chance of survival. Translation: companies did not know how to use the Internet and other emerging technologies to transform—rather than run—their operations. And what happened? Customers and investors fled. Businesses died.

Governments face similar challenges: a sizable number of delivery channels, complex cost structures, and customer bases already showing diverse preferences for accessing services. So how are e-Governments to succeed where e-Businesses failed? One key is to regard service delivery—for today at least—as one of many channels that customers can use to fulfill their many needs, and not as a monolithic dot-gov operation.
Governments must also understand the elements of enterprise transformation better—specifically the people, process, technology and organizational structure—necessary for incorporating the Internet and other new delivery channels. The goal here is a multi-channel customer management strategy, one that, over the long run, will produce the maximum satisfaction for customers and maximum business benefits for the governments themselves.

For the Internet, this requires that governments: (1) know how ‘e’ they should be; (2) build the business case to link online services to the bottom line; (3) create value in online services; and (4) complete the transformation by restructuring the enterprise with a competency-based strategy. Since each influences the other, these tasks should be performed in concert, rather than strictly sequentially. Once this framework has been applied, governments will better understand customer choice in service delivery channels, and will be able to make informed decisions on how to invest wisely across all delivery channels.

**FIGURE 3. MAXIMIZING THE VALUE OF CUSTOMER RELATIONSHIPS:**
*Giving Customers What They Want and How They Want It*

**SOURCE:** DELOITTE RESEARCH
HOW “E” SHOULD YOU BE?

Digital Loyalty Begins with Digital Knowledge About Customers

Governments have a virtual lock on where citizens and businesses go for government services. While in one sense this “monopoly” is an advantage, it can cancel out the element of commercial competition. It can also cause some policymakers to lose sight of recent lessons from the commercial world—specifically the dot-com world, where the zeal for technology often clouded more realistic views of what customers really wanted, or even needed.

Today, companies around the world are still absorbing the lesson, and e-Governments should too. As e-Government takes off, the continued endurance of online services is predicated not only on the introduction of the Internet as a new channel, but on the extent to which customer will, or can embrace it as a channel. In the long view, of course, the ideal is that each successive generation will grow up “digital,” to the point where virtually all those who are able will prefer doing business online.

Yet that day is still many years away, and it will take work for governments to get there. The fact is that today it is one thing for governments to offer services online, but quite another for customers to accept, use, and stick with online as the favored mode of service delivery. This is a condition we call “digital loyalty,” and governments should encourage as many customers as possible to become digitally loyal. Why? Because properly designed electronic self-services can free up governments’ human and capital costs associated with traditional channels; they also can offer customers the highest degree of satisfaction. (In the following two sections, we will address the issues of reducing costs and ensuring that online services truly provide value to both customer and government).

It is also clear that to get customers to become digitally loyal, governments, like any commercial enterprise, will need to assess that potential carefully, not only today but tomorrow. This means knowing the limits of online adoption; it means knowing what customers are using and how. And it means listening to what those customers actually want.

Myth
Customer adoption of the online channel for service will be automatic.
Once an Internet service is proven to be superior to other channels, customers will prefer it. Thus, closing the “Digital Divide” should be governments’ only concern.

Reality
Merely supplying a superior online service does not ensure that customers will use it and stick with it.
Customer access to online services is only the beginning concern. The real focus should be on how many customers will become digitally loyal.

Impact
Since some customers will be loyal to self-service while others will always prefer traditional channels, governments must be organized for integrated, multi channel service delivery based on customer convenience.
Wanted: A Realistic View of Customer Internet Adoption

Consider a couple of examples of how customers are embracing the Internet—or not, as the case may be. Strategis, the Federal Government of Canada’s main commerce department, introduced an online service where businesses can file for federal incorporation. Strategis CIO Robert Porter says that more than 50 percent of all incorporation filings are now done over the Internet, and that 85 percent of all customers who come to the site do so to access some service, not just browse idly. On the other hand, in a recent UK election, less than one percent of voters voted electronically.

This is not cause for despair. Rather, it offers an important clue to what is required to make the transformation a full success. To help shape investment strategies, governments first need a realistic view of how their customer bases will take to the Internet. They also need to take a proactive approach to encourage retention, and monitoring demand for online services is a big first step in helping to drive digital loyalty.

**FIGURE 4. PYRAMID OF CUSTOMER INTERNET ADOPTION**

**SOURCE:** DELOITTE RESEARCH
Be an Advertising Agency: Know the Limits, Then Promote Yourself

For any given service, the first question to ask is: Will all customers use the Internet as the exclusive means of access? If so, then all other channels can be eliminated without leaving any customers worse off. This case of “creative destruction” typically occurs internally, when, for example, governments completely replace an internal process, such as timesheet submission, leaving customers—in this case employees—no other choices. This is obviously an unrealistic scenario for outward-facing services, especially given the many stages customers go through before they arrive at a channel preference for a particular option (see figure 4).

In the first phase, customers need to have both access to the Internet and an awareness that government online services even exist. Certainly there is great potential. While few products or services other than food, clothing, and shelter enjoy absolute penetration into everyday life, it seems that Internet access is also headed that direction. As more and more citizens and businesses adopt the Internet, it might seem that generating awareness among all online users would virtually take care of itself. Consider the US: there, 66 percent of Internet users—or about 41 percent of the country’s total population—have already visited at least one federal, state, or local government Web site. With businesses and non-profit organizations, that number is even higher—79 percent.

Still, it would be a mistake for governments to equate general Internet usage with an awareness of what services they offer online, much less the habit of using those services. Even with Internet users, such habits are built over time. As a result, governments will have to dedicate marketing expertise to promoting awareness. For example, Nevada, as a hot state for residential migration, gets about one million new drivers each year—drivers who account for 70 percent of the Department of Motor Vehicle’s business. Not only are those drivers new to the state and what it offers, but they may well come from the many states where online DMV services have yet to arrive. Perhaps most are online, and even Internet-savvy, but they still need to be informed.

To address this issue, the Nevada DMV is engaging in a million-dollar multi-media advertising campaign with press releases, billboards, and radio spots advertising its online license and registration renewal. Similarly, the Commonwealth of Pennsylvania has had its online vehicle services mentioned on television newscasts. Like Nevada, Pennsylvania will also be inserting notices about their Web service into mailed license renewals.
For customers to become digitally loyal, they have to be convinced that their experience with online service is superior—that is, more time- and cost-efficient—to fulfillment through another channel. If the service is properly designed, with a sound technical infrastructure, and if it offers incentives for using the online channel, this problem is largely solved. For example, in the US, the Internal Revenue Service (IRS) allows customers filing taxes online to request that refunds be deposited directly into their accounts, an incentive service not offered with mail-in filings. The IRS also tells customers on its Website that using the “e-file” service will speed the delivery of their refunds. Similarly, the Foreign & Commonwealth Office in London (UK, www.fco.gov.uk) lets users personalize their portal to display the service options they want. There they also can receive automated e-mail notification of news texts and even Travel Advice notices of interest.

Ultimately, customer satisfaction—and hence repeat usage—will be validated by customer volume, but governments would do well to solicit input from users following their experiences online. The State of California is doing this now for all its portal services. According to state’s Director of e-Government Arun Baheti, the lowest rating any of the services have received has been 96 percent of customers saying they would use the service again. This underscores the power of digital loyalty: Customers who use online services—potentially the most efficient channel—exclusively, will not be compounding costs by entering other, less efficient channels.
Be Customer-Centric: Let Demand Drive Future Online Service Offerings

As in e-Business, retaining customers in the Web channel is crucial in e-Government, not from a profit standpoint, obviously, but in producing the most value for the most customers. Today, governments such as Nevada and Pennsylvania are promoting their existing online services. But what about the future? What is their strategy for moving more services online? For that matter, what is their plan to encourage customers to use those services?

These are questions that governments around the world are asking now. Getting customers into the second phase—the phase where they actually use one or, as is hoped, even more online services—means that customers see the value of what is offered. This is the crux of the supply vs. demand dilemma. Consider the two arguments:

- **The supply-side argument** dictates that governments cast a broad net by Web-enabling as many services as possible. The rationale: that a justifiable percentage of customers will use all such services if they are provided.

- **The demand side argument** dictates that governments should provide only what a justifiable percentage of customers want.

Wherever one comes down on this issue, it is best to approach the now-standard mantra that “citizens are demanding the same level of electronic service they get in the private sector” with caution. Many recent polls of customer attitudes toward online services suggest that demand is not at quite the same level as some of the hype.

For example, a recent survey by UK market research firm MORI, found that even the tasks the public said it would most like to do online—renewing the car tax and voting—only mustered the support of 32 percent and 29 percent of respondents, respectively.6 An appreciable portion of the less-than-100 percent willingness to go online could be attributable to customer concerns over either privacy and security—or to the fact that they simply prefer human to electronic interaction.

If governments choose the supply-side approach, there is a good chance that they will be committing large quantities of cash, time, and human resources to projects with no significant value to customers—or payback to themselves. If instead they apply a more customer-driven approach, the chances for realizing benefits for all parties should be much greater.

Best bet: Take the demand-side approach, embraced by leaders such as Fairfax County (US) CIO David Molchany. Molchany explains: “[Customers] may not want everything online, so you need to focus where they want you to focus and get those things out there as quickly as possible—and literally create a schedule that makes sense for your own community, whether it’s a local government, state government, or even a national government.”

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“*I think you really have to look at your constituents, and you have to look at the services that are most important to them, and you have to talk to them and also to your business community to find out what you can do to benefit basically everyone in your locality. And I think that if people at local, state and federal governments do that, you’re going to get a lot more services tailored to what people really want to have, rather than what a government thinks is best for them.*”

David Molchany, CIO Fairfax County (US)
Enterprise Transformation Lessons

The extent to which customers can—and will—become digitally loyal helps to define the architecture of the new customer-centric e-Government enterprise. Since some customers will be loyal to self-service while others will always prefer traditional channels, the outcome of transformation must be an organization prepared for integrated, multi-channel service delivery based on customer convenience, rather than necessity as served by the current process-based enterprise. To maximize the value of customer relationships, the new e-Government enterprise must let governments:

- Serve customers through the most appropriate channel;
- Capture consistent customer data in all channels;
- Share customer data throughout the enterprise;
- Share common internal services for processing customer data.

The backbone of the new model will be enterprise-wide customer relationship management (CRM) processes and supporting technologies working in concert with shared services such as finance, payment, and procurement (see figure 5).

While building the new e-Government enterprise is a necessity, governments also need a sound business case for putting the pieces together. In the following sections, we will describe the organizational changes needed to save money with online services, the tactics for creating value in online services, and a strategy for equipping the organization with the competencies (in-house and commercial) to deliver high-quality customer service.
A greatly anticipated benefit of e-Government is the reduction in transaction costs. This benefit speaks to how Web-based transactions can shorten service delivery by cutting time (traveling, processing), materials (paper forms, postage) and human resources (less need for customer service representatives). This assumes, however, that a customer will fully complete a process using only the Web channel. But, being customers, what if they don’t?

If the Web falls short of expectations, costs will in fact be inefficiently divided between multiple channels, driving them up and making analysis much more difficult. Granted, some of the early results are promising, but they still raise the greater issue of whether online services as a whole will save money. As we will demonstrate, there are specific enterprise transformation principles that governments need to adopt, especially if they want to build a compelling business case that shows how real cost savings will be achieved for a service across all delivery channels.

**BUILD THE BUSINESS CASE:**

**LINK “ONLINE” TO THE “BOTTOM LINE”**

**Myth**

Providing the online channel will automatically decrease the cost of service delivery.

*By moving customers online to take advantage of lower per-transaction costs, governments will automatically reduce the cost of providing a service across all channels.*

**Reality**

Providing the online channel may end up costing governments more than any amount they could save.

*Customer mobility between channels can have a negligible effect on the cost of providing a service across all channels.*

**Impact**

Understanding the basic economics of costs in multi-channel service delivery will help governments right-size investments in technology and human resources for services across the enterprise.
See the Forest, Not the Trees: Analyze Per-Transaction Costs Across All Channels

In their study of automobile registration renewals at the State of Alaska’s (US) Department of Motor Vehicles, professors Steven Cohen and William Eimicke of Columbia University, New York, found that the total unit cost of renewing a registration using the Internet was $3.62, compared to $7.74 for one done in-person at an office—a 53 percent savings. Customers seem to be better off; complaints have lessened and lines at offices are reported to have decreased. Government has also benefited, as employees are able to perform counter services and mail-in services more quickly. Though the unit cost of a mail-in renewal was slightly lower ($3.35), it is expected that eventually the Internet channel will be the lowest cost option due to reductions in credit card processing fees as more customers use the Internet.

However, there is a crucial economic reality here that is easy to overlook. Given the fixed cost components of the office and mail channels, unit costs per channel will not go down as quickly as customer volume per channel. As a result, per-transaction costs need to be viewed in a different way, especially if governments are to understand how to use the Internet to reduce service delivery costs significantly across all channels.

In e-Government there are two keys to evaluating transaction costs: 1) the effect of customer mobility between access channels; and 2) the impact on the overall cost of providing service in a multi-channel service delivery system. Governments expect that as customers become more aware of (and comfortable with) online services, more of them will prefer that channel to others. Still, transaction volumes in the different channels will fluctuate, thus making snapshots of particular points in time misleading. Moreover, since 100 percent customer usage of a single channel is unlikely, governments will need to view service delivery as a mix of channel options, rather than as isolated channels in order to take the necessary transformation steps to achieve savings.

To illustrate these concepts, we present the following future-looking scenarios based on Alaska’s current cost breakdown.

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<th>Enterprise Transformation Lessons</th>
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<tr>
<td><strong>Reduce:</strong> Cut fixed costs to achieve significant saving</td>
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<tr>
<td><strong>Redeploy:</strong> Move staff to more value-added responsibilities</td>
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<tr>
<td><strong>Reinvest:</strong> Continue to make improvements in non-online channels</td>
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</table>

“We expected that with the introduction of our Web and intranet systems, use of other means of communications would have gone down... This hasn’t happened in all areas of the council and we’ve now set down targets of three percent reductions on paper and telephone use for next year [2002].”

Caroline Taylor, Head of Customer Relations for Kirklees Borough Council, UK
SCENARIO 1: EARLY IMPLEMENTATION OF ONLINE SERVICES: Web Not Cheaper

<table>
<thead>
<tr>
<th>Total cost of maintaining channel (labor, materials, overhead, development, transfer costs)</th>
<th>Web</th>
<th>Office</th>
<th>Mail</th>
<th>Overall Channel Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,000,000</td>
<td>$2,140,000</td>
<td>$930,000</td>
<td>$4,070,000</td>
</tr>
<tr>
<td>Total number of transactions</td>
<td>100,000</td>
<td>300,000</td>
<td>100,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Per-Transaction Cost</td>
<td>$10.00</td>
<td>$7.13</td>
<td>$9.30</td>
<td>$8.14</td>
</tr>
</tbody>
</table>

Note: In the Cohen-Eimicke analysis, the Total Unit Cost for counter service is 214 percent of the E-Service. The Total Unit Cost of mail-in service is 93 percent of the E-Service. The scenario figures presented here are rounded for simplicity, but reflect the relative cost of each channel.

In this scenario, a government implemented online renewal of a sport license five months ago to supplement the in-office and mail-renewal processes. With some advertising, it was able to shift 20 percent of its transaction volume to Internet renewal, leaving it with 20 percent in mail-renewal and 60 percent in office-renewal. Given the costs of developing and maintaining each channel, the per-transaction cost of the Web channel is the highest at $10—about 40 percent greater than office, the most expensive channel to maintain. At this point, the Web channel could be providing superior value to customer and government, but from a business case standpoint, its attractiveness may be tarnished by its relatively high per-transaction cost. The government sees this and thinks that if more customers used the Web, the per-transaction costs would go down, thereby capturing lost value.

SOURCE: DELOITTE RESEARCH
Save it! Reduce Fixed Costs to Scale

These examples should not be taken to mean that the Web channel could not generate superior value. If more customers are better satisfied with the Internet—and if processing is simpler and allows staff more latitude to address other business concerns—then both customer and government are better off. However, because it does not reduce the overall cost of operations, government is left without a central benefit of the customer-centric approach. The lesson is not that Internet service delivery is ultimately not worth the investment and should be abandoned. Rather, it means that to produce the promised cost savings, governments must do more than shift customers between channels. As illustrated in Scenario 3, governments will need to reduce fixed costs to scale.
In our hypothetical case of the sport license, the government in this scenario has offered the online renewal option for two years. Now, 80 percent of its customers are using the Web service, driving per-transaction costs down to $2.50. As Web volume grew, the government realized it no longer needed as many employees, computers, and supplies to maintain its over-the-counter operations, so it reduced fixed costs in the office channel by 25 percent. The result is that while per-transaction costs for both the office and mail channels have risen due to increased Internet usage, the overall per-transaction cost of license renewal has decreased by $1.07, or about 13 percent.

In cases like California, where the employees-per capita ratio is very low, there may not be opportunities to redeploy staff to other functions or have them take on additional duties. Hence, any marginal savings would need to come from streamlined operations—specifically, further technology integration, and workflow reengineering. “As savings come, I see an opportunity to actually improve service in traditional channels,” says California’s Arun Baheti.

The bottom line: While savings may come from moving customers into the channel most suited to fulfilling their needs, governments need to seek improvements—and prioritize investments—continually, in service delivery across all channels.

**SCENARIO 3:** LATER IMPLEMENTATION WITH CUSTOMER MOBILITY: Overall Cost of Delivery Reduced

<table>
<thead>
<tr>
<th>Total cost of maintaining channel (labor, materials, overhead, development, transfer costs)</th>
<th>Web</th>
<th>Office</th>
<th>Mail</th>
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<td>$1,000,000</td>
<td>$1,605,000</td>
<td>$930,000</td>
<td>$3,535,000</td>
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<td>Total number of transactions</td>
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<td>75,000</td>
<td>25,000</td>
<td>500,000</td>
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<tr>
<td><strong>Per-Transaction Cost</strong></td>
<td>$2.50</td>
<td>$21.40</td>
<td>$37.20</td>
<td>$7.07</td>
</tr>
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</table>

**Fuel the Enterprise Engine: Continue Investment in Other Channels**

At various points after customers become familiar with the Web as part of the service delivery mix, their mobility between delivery channels may temporarily plateau. At these equilibrium stages, service delivery costs will appear static and may lead governments to believe no further savings are possible. On the contrary: To reach the two-tiered savings, governments must continue to invest in process improvements for non-Web channels in addition to cutting investment in fixed costs. This is a departure from conventional wisdom, which assumes the Internet would remove such a burden from other delivery channels, thereby rendering any real investment beyond routine maintenance unnecessary.

In cases like California, where the employees-per capita ratio is very low, there may not be opportunities to redeploy staff to other functions or have them take on additional duties. Hence, any marginal savings would need to come from streamlined operations—specifically, further technology integration, and workflow reengineering. “As savings come, I see an opportunity to actually improve service in traditional channels,” says California’s Arun Baheti.

The bottom line: While savings may come from moving customers into the channel most suited to fulfilling their needs, governments need to seek improvements—and prioritize investments—continually, in service delivery across all channels.

“We are going to improve our phone-based service because it has great economies (of scale). For example, the volume of phone-based service has gone up from 3000 calls per day to 6000 calls per day but the resources stay the same.

In terms of completion of service, the situation now is much improved for simple information requests at the first call. The implication is: ‘Well, hold on a minute, we are doing okay.’ Lining up the web is not a super urgent thing, not a super bullet to solving the customer problem.”

*Simon Markham, Director of IT, Christchurch City Council, New Zealand*
Today, governments at all levels and in all regions throughout the world are actively pursuing their stated goals for online service availability in the near future. At the heart of it all sits a powerful commitment governments have made to their constituents for using the Internet (and other emerging technologies) to greatly improve service delivery. The progress so far has been quite remarkable: content and functionality on their portals continue to grow quickly as executives secure long-term support from their legislatures.

As governments press forward, a key to sustainable success—increased customer satisfaction and lower costs—is to make sure that current (and future) online services are designed and supported properly within the context of multi-channel service delivery. Alan Siu, Deputy Secretary of Information Technology & Broadcasting Bureau in the Government of Hong Kong, explains: “Not all department services are amenable to the electronic mode of delivery, because of issues such as bulky submissions, interview requirements, and submission of physical samples and so forth. We will focus on those [services that] are amenable.”

In other words, once the quixotic vision of a totally electronic existence is dispelled, the challenge is to create a sensible strategy for advancing e-Government, this time based on a realistic assessment of the Internet’s capabilities and limitations.

**TACTICS:**

**CREATE ONLINE SERVICE FOR DIGITAL LOYALTY AND COST EFFICIENCY**

**Myth**

All customer needs can be fulfilled through the online channel for every customer. There are no fundamental distinctions between customer needs. Because all customers are now serviced in some way, the Web will service them with equal or better success.

**Reality**

The online channel can be a superior option for fulfilling some customer needs, but not necessarily all of them. Governments will need a deep understanding of the heterogeneity of customer needs and the technical and human resources commitments required to fulfill them.

**Impact**

Knowing how to fulfill different types of customer needs online boosts the chances for increasing customer satisfaction while reducing costs. It will also help governments determine if they have the right competencies to make it happen.
Know the Net’s Role: Understanding the Internet’s Value Proposition

Whether applied as an entertainment medium or a service delivery tool, the Internet is supposed to be “better” than alternatives. However, when the satisfaction of millions of customers (and the administration of tax-generated funds) is at stake, relying on such an overly optimistic perception is risky at best. Thus, to evaluate the practicality of current (and future) e-Government initiatives, Governments need to better understand the Internet’s real value proposition.

Here, the goals of enterprise transformation offer an appropriate set of parameters. If e-Government is to provide the most value in fulfilling customer needs at the lowest cost to government, then any new service delivery channel introduced—in this case, the Internet—should create at least as much value as its predecessors.

More importantly, to avoid disrupting the fulfillment process and adding unnecessary costs, the Internet channel must be implemented in such a way that it either completely replicates or complements existing channels. For example, before the US Federal Government’s pay.gov online service for paying taxes and fees was complete, customers were only able to download payment forms from various agencies. This situation allowed a narrow need—acquiring a form—to be met. Now that pay.gov lets customers actually submit payment, it fulfills a broader need, of which the form is an integral part. Why is this important? Because there are different types of customer needs—needs that require a different allocation of resources than traditional service delivery channels in order to be fulfilled end-to-end online.

FIGURE 6. HOW THE WEB CHANNEL SHOULD BE INCORPORATED

“Our new Michigan.gov portal was just the starting point for creating this new channel for customers to access their government. We’re committed to making this the easiest, most efficient way to do business with Michigan.”

Governor John Engler,
Differentiate and Fulfill Customer Needs

The goal in delivering any service is fulfilling a customer need. Here, the best way to view services is to group them into value chains—chains of differing lengths that coincide with the wide complexity of customer needs.

FIGURE 7. A GENERIC VALUE CHAIN
In its most generic form, an e-Government value chain has three main entities: (1) customer; (2) access channel (e.g. phone, mail, Internet); and (3) government infrastructure (people, processes, technology and private sector partners). Value to both customer and government is maximized when the customer reaches fulfillment in the fewest number of steps—in other words, the shortest path. e-Government initiatives strive to shorten value chains to their simplest form, either by cutting out inefficiencies in existing processes or by eliminating steps. The relationship here should be mutually beneficial, so that each marginal reduction in value chain length brings fewer costs while producing marginally more customer satisfaction.

The following are the three different types of customer needs, along with the principles of enterprise transformation needed to fulfill them.

**FIGURE 8. FUNDAMENTAL DIFFERENCES IN VALUE CHAINS**

<table>
<thead>
<tr>
<th>Customer Need Type</th>
<th>Specific Need</th>
<th># of Steps</th>
<th># of Forms Transferred</th>
<th>Monetary Transactions?</th>
<th># of Channels Used in Traditional Process</th>
<th># of Different Needs in Repeat Visits</th>
<th>Degree of Customer Help Needed</th>
<th>Sign Official Forms?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning</td>
<td>Find info about legislation</td>
<td>3</td>
<td>0</td>
<td>No</td>
<td>1</td>
<td>Few</td>
<td>Low</td>
<td>No</td>
</tr>
<tr>
<td>Discrete Transactional</td>
<td>File mortgage paper</td>
<td>10</td>
<td>6</td>
<td>Maybe</td>
<td>3</td>
<td>Some</td>
<td>Medium</td>
<td>Maybe</td>
</tr>
<tr>
<td>Bundled</td>
<td>Employment service</td>
<td>25</td>
<td>15</td>
<td>Yes</td>
<td>4</td>
<td>Many</td>
<td>High</td>
<td>Yes</td>
</tr>
</tbody>
</table>

• Very few steps to fulfillment
• Process simple to replicate online
• Steps to fulfillment may change next time customer comes for service
• Difficult help functions
• Customer could get better service by calling an agent or visiting an office

SOURCE: DELLOITTE RESEARCH
Learning Needs: *Getting Answers Fast*

Stage-one of e-Government meant agencies posting public information. With data on agencies, whom to contact, Frequently Asked Questions (FAQs), and more, stage-one fulfills that most basic of customer needs, learning. For example, a citizen in France can learn about pending legislation at the Parliament’s portal (www.internet.gouv.fra). And as long as the information is provided in its entirety on the Website, the customer’s need can be fulfilled.

**What makes learning among the simplest of needs to fulfill?**

First of all, there are very few steps in the value chain. In the example of France’s Parliament portal mentioned above, there may be only three: the citizen identifies a need, identifies the channel that will serve him or her best, then locates the information. There are no physical forms to be signed or transferred, and no monetary transactions. Moreover, the process can be completed using only one channel, with little help required. Also, it is unlikely that the citizen will need to reenter the channel to fulfill the need.

When will governments be able to fulfill all online learning needs? Only when all descriptions of all programs and services are available, when changes are updated dynamically, and when these changes are supplemented by complete libraries of FAQs, and/or comprehensive search engines. That day is closer than one might think. For instance, the State of California’s portal, my.ca.gov (US), has such an engine that, according to system reports, is satisfying 99 percent of customer queries.¹¹
Discrete Transactional Needs: Getting it Done

Value generation gets more complex when customer needs grow beyond the learning stage, and move to the transactional stage, a realm of richer, two-way communication. Here, the number of steps in the value chain is greater. On the other hand, the fulfillment need is discrete, very well defined, and therefore more easily replicated online. Examples include filing taxes, making reservations at campgrounds, paying traffic fines, and renewing licenses and permits.

According to Hong Kong’s Alan Siu, providing end-to-end fulfillment requires a “focus on the difficult parts of replicating processes online, such as meeting the legal requirement on signatures using electronic authentication. [Governments] need to focus on end-to-end straight through processing and not just replicating front-end process.” For discrete needs, credit card payment is available and there are usually few forms to transfer—both relatively easy things to Web-enable. Also, since these needs are mostly expiration-based, customers generally don’t require repeat interaction to arrive at fulfillment. Moreover, the needs are unlikely to change: For instance, the customer who must pay a parking ticket need only pay that particular ticket.

Process and technology problems can arise, however. First, with more steps in the value chain, sufficient online help will be necessary as more questions arise. Second, there may be the need to offer the ability to create and transfer legally binding documents with electronic signatures, say, in the filing of home mortgage documents with a records bureau. Third, some customers may be excluded because of rules conflicts. Examples here include the many online motor vehicle registration services that cannot register drivers who have changed names or addresses. Other conflicts might include the need to process late renewals, credits, or fee adjustments online.

To enable superior value, governments will need to integrate customer data across departments. In some cases, governments also will need to make policy changes to facilitate the integration. Still, there will be many customers who will require help beyond what can be handled with online instructions or FAQs. If customer service representatives are unable to handle online inquiries with equal or better efficiency than call centers, governments wishing to achieve complete, superior end-to-end electronic fulfillment must create processes for them. For example, the Department of Urban Services in the Australian Capitol Territory has a Customer Care Unit that responds to customer e-mail questions within one working day, with 98 percent resolved to the customer’s satisfaction the first time.

To achieve such high performance, the Customer Care Unit established standards for responding to questions, all to ensure that e-mails are not only sent promptly but are also clear in what they communicate.¹²

“At the moment most of our services are information services on an agency-by-agency basis. The pressure is shifting to the delivery of services to people—to move from just information provision to more integrated and sophisticated transactions. As the Government Online Strategy indicated, the provision of more integrated, customer-focused services is what market research tells us Australians want.”

Tim Field, Chief General Manager for Government Online in Australia’s National Office for the Information Economy
Building Needs: Getting it all in One Place

The most complex fulfillment processes are bundles of continuous customer needs. In this category, most needs are case-based, examples being welfare, child protection, and employment assistance. Consistent with the needs, such assistance usually encompasses multiple functions within a department—functions that ideally blend together to satisfy a combination of learning and discrete transactional needs. Obviously, this is easier said that done. The difficulties in replicating such complex processes online include:

- The relatively large number of steps in some value chains in the bundle;
- The number of channels needed in the traditional process;
- The fact that a customer frequently reenters the channel for related needs;
- The amount of face-to-face contact that customers usually require with agents.

In such a complex situation, the question is: How can governments use the Web to generate superior value? Two strategies are applicable:

**Bundled Strategy #1: Break down the process**

The first bundled strategy is to break the value chain into modular parts, the goal being to create a series of smaller value chains where end-to-end fulfillment is possible. The idea here is pragmatic; Web-enable some learning and discrete transactional functions, while leaving others to traditional fulfillment processes. This is the path taken by the (US) California HealthCare Foundation (CHCF) when it created **Health-e-App** to improve its health insurance service (www.healtheapp.org).

**Health-e-App** automates the processes of enrollment, initial premium payment, and preliminary eligibility/program determination, while leaving final determination and ongoing account administration outside of the system. Using any Web-enabled device, individuals and community-based organizations can enroll low-income applicants in California’s Children’s Health Insurance Program, called Healthy Families, and children and pregnant women in Medi-Cal, California’s Medicaid program. Applicants receive preliminary determinations in real-time, along with confirmation that their application has been received by the state. The system also accepts digital signatures to complete the application process.

**Health-e-App** generates real value because the CHCF knew how to incorporate customer service directly into the new system. Because many of its customers may not have access to, or experience with online services, CHCF put **Health-e-App** in the hands of its Certified Application Assistants (CAAs), who in turn work face-to-face with applicants, guiding them through online enrollment. This way, questions (learning needs) are answered immediately, and the applications (discrete transactional needs) are submitted with fewer errors.

By breaking down a complex bundled need into manageable components, CHCF was able to bring real business benefits to both its customers and itself. Consider the results so far:

- **Increased Speed:** The time between application submission and eligibility determination decreased by 21 percent.
- **Improved Data Quality:** Application errors were reduced by nearly 40 percent.
- **Greater Customer Satisfaction:** 90 percent of applicants would rather apply online using Health-e-App; 95 percent of CAAs preferred using Health-e-App to the paper application.
Bundled Strategy #2: Integrate value chains from related services

The second strategy for serving bundled customer needs is to integrate value chains from related services—in effect, creating an entirely new customer experience. For instance, in the previous US Internal Revenue Service example, the automated direct-deposit feature was brought in from another value chain: the customer’s need to manage financial accounts.

The Government of Singapore is also taking this integration approach by combining a very common process that several agencies share—billing. “The way we do billing is bundling nowadays,” according to Wu Choy-Peng, Singapore’s CIO. “For example, car insurance, radio license, and road tax are bundled together. You don’t need to do them multiple times. We have an electronic payment system [where] 90 percent of government services are paid through bank auto-pay.” Singapore’s bundle strategy would not be successful without formal shared services between partnering departments. Such collaboration is a fundamental component of enterprise transformation, one that facilitates the streamlining of multiple value chains in a highly cooperative manner.

Creating value in online services means that governments need to enable the end-to-end fulfillment of all customer needs. If governments can put the technology and human resources infrastructure to make it happen in place, then the Internet will be an option superior to traditional service delivery channels—one that, over time, will both increase customer satisfaction and save money.

FIGURE 9. ENTERPRISE TRANSFORMATION LESSONS

<table>
<thead>
<tr>
<th>Customer Need Type</th>
<th>Enterprise Transformation Lessons</th>
</tr>
</thead>
</table>
| **Learning**       | • Comprehensive query-based search engine  
                     • Dynamic content updating |
| **Discrete Transactional** | • Cross-functional and/or cross-departmental database integration  
                               • Online customer service |
| **Bundled**        | • Customer relationship management process with support technology  
                               • Shared services between department |

The goal is to provide end-to-end fulfillment of each customer need type. The enterprise transformation principles are telescopic: learning principles are needed to fulfill discrete transactional needs, discrete transactional principles are needed to fulfill bundled needs.

SOURCE: DELLOITTE RESEARCH
CUSTOMER RELATIONSHIP MANAGEMENT IS CRITICAL

Regardless of the type of need, governments have ongoing relationships with all of their customers. To shorten the service delivery value chain effectively and to anticipate future needs, governments need to understand how their customers react to the quality of services provided. The end result, and most efficient value chain, is customer self-service. Customer relationship management (CRM) is how it gets done.

More of a revolutionary process than a technology, CRM represents the key link between front-office and back-office. In British Columbia, the Canadian government power generator BC Hydro’s AccountOnline lets customers register for initial service, review account balances, receive notification when payment is due, pay bills online, view the organization’s regular newsletter, view consumption and payment history, and submit questions and feedback. BC Hydro’s strategy of integrating value chains for self-service is successful because it understood that customer needs are bundled and continuous. In fact, BC Hydro opened its databases to grow the relationships.
Preparing for the Future: Using the Transformation Framework to Implement New Channels

The lessons presented in the previous section show how governments can maximize value to both customers and themselves by incorporating the Internet as part of multi-channel service delivery. While the framework is especially useful for evaluating the potential of current (and future) online services, it is equally useful when governments consider introducing entirely new delivery channels, such as wireless applications (personal digital assistants, mobile phones, pagers), digital television, and kiosks.

The principle remains the same; governments will want to increase customer satisfaction while reducing costs. To do so, they will need to make sure the new channel delivers real value, assess the potential for customer adoption, then use basic economics to understand how the new channel will affect the overall cost of service delivery across all channels. The key is for governments to make sure that any new channel truly lives up to its expectations.

For an example of how one government is transforming itself using multi-channel customer management, see the case study on the Indiana Department of Workforce Development in Appendix 1.

CONTROL YOUR CHANNELS—CONTROL YOUR DESTINY

Want to effectively manage your service delivery channels? The following questions will help. Can you:

1. Establish a business case for new service delivery channels with realistic goals and metrics?
2. Determine the new channel’s role in a service delivery value chain?
3. Align people and technology to support the new channel?
4. Determine the real and marginal costs of providing customer service in all channels?
5. Establish realistic measures for ROI?
6. Measure customer satisfaction?
7. Establish regular performance reviews?
8. Adjust investments depending on how well performance goals are met?

CONTROL YOUR CHANNELS—CONTROL YOUR DESTINY
The defining characteristic of next-generation e-Government is the conversion of its potential into real, and lasting, business value. Doing so means balancing what is possible at the individual customer level—where today’s innovations are focused—with what is practical in terms of fiscal responsibility and political viability at the enterprise level. Not surprisingly, early lessons learned suggest that an e-everything approach is not the way to deliver value to constituents—nor does it make economic sense for governments.

The transformation to next-generation e-Government is not immediate. It is a journey that requires a measured approach and balances the possible with the practical in real business terms. Accordingly, we believe the following eight principles are the anchor of successful e-Government transformation. A focus on these critical areas will assist governments with their transformation efforts and help them build a truly customer-centric enterprise for maximum business value; or put another way, to grow (or build) e-Government smartly.

1. Provide Strong Executive Leadership and Commitment

Enterprise transformation for e-Government is a mosaic of components and processes that demands executive-level leadership and commitment to driving positive change. Agency directors, mayors, governors, ministers and presidents all have a vested interest in seeing substantial investments pay off for their constituents; all must take active roles as champions of the cause in their legislatures, cabinet meetings, and public appearances.

The challenge for executives now and in the coming months is to remain steadfast in their commitments to making e-Government successful, even in the face of economic downturns or unexpected shortcomings in performance. The consistent message should be that governments, unlike the dot-com losers who were keen to be the first, are committed to an approach that will make e-Government the best.
2. **Take an Enterprise-wide View of the Transformation**

Customers deal with multiple agencies and multiple channels, so serving them best in e-Government requires attention to every facet of every operation—people, business processes, technology, and strategy—across the entire enterprise. Why? Because they are all converging at an increasing rate, and changes in one area can have direct impact on several others. If governments are to succeed at “leaving no citizen behind” in the wake of e-Government advancement, an enterprise-wide view is imperative.

This approach requires fundamental changes in the government culture. Coupled with an unprecedented sharing of information across departmental boundaries, it will enable management to coordinate and control development effectively while engaging all internal stakeholders equitably equally in the overall transformation.

3. **Develop the Strategy**

The focus of next-generation e-Government is on positive business results and must be reflected in an enterprise-wide strategy for achieving them. To get there, governments should create a road map to success, with the principles defining a new, winning organization, including:

- Mission, vision and values statements linked to high performance;
- Broad service goals and objectives;
- Appropriate business models;
- The alignment (or realignment) of people, business processes, and technology;
- Relevant and measurable performance metrics.

Governments that embed an outcome focus in their strategic planning will be well-positioned to deliver the results their constituents demand. They will also be better prepared to deal with future problems arising from unforeseeable circumstances.

4. **Build the Business Schematic**

One of the most vital components of enabling successful transformation (if the least glamorous) is the schematic detailing the technical architecture necessary to linking front and back offices. This includes the tools (platforms, databases, etc.) that will be used for supporting the new customer-centric enterprise described in Figure 5:

- Customer data integrated across all service delivery channels, that informs program and policy decisions;
- A shared services layer that leverages its enterprise scale in the areas of operations, electronic payment, security, and infrastructure;
- An enterprise-wide customer relationship management process that maximizes the efficiency of service delivery value chains.

The schematic should support a consistent approach to technology management across the enterprise, a vital step in eliminating business process redundancies. Not only will this help to ensure the efficient deployment of technology, but it will also facilitate the effective deployment of solutions across the enterprise.
5. Diagnose Your Current Situation

How are you doing now? That is the critical question governments must answer in order to plan a successful journey forward. The focus, rather than being on the completion status of all projects, should be on diagnosing e-Government development to determine how well current initiatives are meeting expectations as defined in the enterprise strategy, including:

- Customer adoption of new service channels;
- Changes in customer satisfaction levels;
- Impact on operational performance, and;
- Impact on cost structure

Such an assessment will give governments the relevant business data needed to identify and rectify possible gaps in service design, technology infrastructure, and staffing. Moreover, this “lessons learned” information will be exceptionally useful in adjusting investment decisions for future initiatives.

6. Leverage Your Core Competencies, Access the Rest

While customer-facing—or front-office—changes have the most visible impact on service delivery, the reality is that for e-Government to succeed in the long term, governments must also be equipped with the right skills to deliver high-quality service. In the e-Government era, this will require a fundamental transformation of the very structure of government enterprises.

Today, few governments can offer—or afford to offer—all of the world-class products and services that customers need on their own. Yet they must extract maximum value from those internal resources that help them perform best. This imperative is most commonly expressed by government executives as “wanting to focus on our core competencies.” Or as Roger Fisher, manager of Australia’s Department of Finance and Administration puts it: “Our philosophy has been to partner when we identify an area of our business that someone else can do better than we can.”

This switch to focusing on competencies marks a powerful change for governments. When the organization thinks of itself in terms of competencies, managers can begin to see how they should be used, not only throughout the agency, but across organizational boundaries. The result is a clear understanding of what the organization can do on its own and, equally important, what it cannot do and must partner (outsource) to provide.

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**FIGURE 10. WHAT DO YOU WANT TO DO BEST? DETERMINING CORE COMPETENCIES AND INVESTMENT PRIORITIES**

![Diagram](source: deloitte research)

**NOTE:** Based on their view of the public sector’s role in service delivery and influenced by their unique mix of capital, human resources and technology, individual governments will determine what constitutes their core- and non-core competencies. This decision is the key starting point for governments to model how they will approach future partnering and investment. Core competencies for which they currently have sufficient resources to support should be maintained (1). If resources are not available, governments should adjust funding priorities to fuel the competencies they want to keep in-house (2). Non-core competencies with low resource availability are the best candidates to divest, transitioning them to outsourcing partners (3). If resources are still being applied (inefficiently) to non-core competencies, governments will need to decide if they want to divest the competencies or, hedging that the competencies should be kept in-house (maintained) in the future, reclassify them as core and rescale investment accordingly (4).
7. Create an Organizational Structure to Drive Development

The majority of governments around the world have recognized that harnessing the rapid evolution of e-Government requires a new approach to the organizational structure of their enterprises. As a result, both centralized and agency-level chief information offices are now commonplace. However, the most innovative e-Governments are taking organizational design to a new level, installing top-level program management offices with greater authority to drive development.

The UK’s Office of the e-Envoy, for example, is a Cabinet-level organization with both policy and delivery responsibilities in the areas of constituent-facing services, internal communication infrastructure, and the market economy. The Office is led by appointed Ministers who oversee development across all UK departments. The benefit of combining planning and operations under the same roof in this manner is stronger coordination of all initiatives throughout the enterprise.

8. Prioritize Your Future

With a comprehensive plan for enterprise transformation, governments will be able to prioritize projects for short- and longer-term implementation and enable a steady stream of wins. Implicit is the understanding that some projects, while attractive on the surface, will yield insufficient return on investment and should not be put into effect. Similarly, others already under development may have serious business flaws that will be revealed and can be remedied when the transformation framework is applied.

It is clear that governments should avoid rushing to Web-enable all services, and instead, should be more attentive to achieving success consistently. Today, the public sector is uniquely positioned to take full advantage of all the innovations in service delivery presented by the networked economy. It is now time to convert its potential into lasting value for governments, and for their customers.

“The government intends to take prompt and prioritized action based on the e-Japan Priority Policy Program approved today. With this, Japan has firmly embarked on the road to becoming the world’s most advanced IT nation. Our mission is to further accelerate our efforts, never allowing the process to lose momentum…”

Prime Minister Yoshiro Mori, Japan, at the Japanese IT Strategic Headquarters meeting (March 29, 2001)
INNOVATIVE E-GOVERNMENT GROWTH: E-MICHIGAN

To become a world leader in e-Government service delivery, the State of Michigan (US) created an entirely new organizational entity, the e-Michigan Office. The e-Michigan Office was established by Governor John Engler to lead and manage all of the State’s electronic government initiatives by working with different agencies’ information technology staff to ensure uniformity and common usage of Web-based applications and initiatives.

The key benefit is that agencies are able to leverage the e-Michigan Office’s centralized expertise across a variety of similar needs. For example, current activities include the establishment of statewide standards for issues such as privacy and security, selection of electronic forms and electronic licensing vendors, and cross-agency promotion of similar products, services, and information. Until recently, many services had been promoted only by individual departments on their Web sites.

The economies of scale achieved by the e-Michigan Office have led not only to an award-winning portal but, more importantly, to a foundation from which to grow Michigan e-Government smartly. This innovative organizational structure allows Michigan to drive and coordinate innovation throughout the state, and offer the best service to its customers.

http://www.state.mi.us/migov/e-michigan/index.asp
CONCLUDING REMARKS

e-Government is evolving so quickly that it is easy for executives to get lost in a sea of technology, staffing and budget changes. To navigate through the chaos, governments need relevant, actionable strategies for keeping commitments to customers for high-quality service while controlling the costs of service delivery. With this framework for successful enterprise transformation, governments have tools to sort out conflicting challenges and convert the potential of e-Government innovations into real business value for their customers and themselves, now and in the future.
APPENDIX I:  
Enterprise Transformation in Action

The following case study details how the Indiana Department of Workforce Development is transforming the enterprise with the implementation of a major e-Government initiative

e-Government Drivers

The Indiana Department of Workforce Development (DWD) administers 11 employment/training programs established primarily by the Federal Department of Labor. Two major pieces of federal legislation, the 1995 One Stop Act and the 1998 Workforce Investment Act, required DWD to deliver all services to its customers—workforce and employers—in an integrated fashion so that customers could fulfill all their needs at a single location, i.e. “one stop.”

e-Government Solution

Following nearly two years of design and development, DWD rolled out the first version of its One Stop solution, a LAN-based Customer Self-Service System (CS3), to its 32 local WorkOne offices in October 1998. Today, CS3 is also available online (http://www.in.gov/dwd/cs3).

- The system has three separate interfaces for its customers: program applicants, employers and DWD staff;
- All core employment services are fully automated, with the exception of filing an unemployment insurance claim;
- Employers can enter job announcements and search for qualified employees; economic development leaders can use the data to determine the skills and abilities of the local labor pool by browsing the CS3 talent bank.

Results

CS3 is able to fulfill all learning and discrete interactive customer needs, and the results affirm its power:

- The 530,222 applicants currently enrolled in CS3 represent 85 percent of DWD’s applicant customer base;
- Time to fulfillment has been cut nearly in half; going from 1 hour and 20 minutes to complete a full registration down to 45 minutes;
- 58 percent of applicants and 61 percent of employers rated the department as “above average” or “excellent,” surpassing the benchmark of 50 percent for both customer types;
- For bundled, case-based needs, the system prompts users to seek assistance from a counselor when needs such as career diagnostic testing or development of an individual employment plan arise.
APPENDIX I: Enterprise Transformation in Action (continued)

Investment Priorities

DWD is justifiably proud of its accomplishments, but knows that generating ongoing value for its customers requires special attention to all facets of service delivery. Its future-focused customer management strategy features the following investment priorities:

1. **BUILD DIGITAL LOYALTY**
   To help improve its ROI, DWD is seeking to increase customer usage of CS3, particularly among the employer community. DWD’s strategy for bolstering adoption is to develop services based on customer needs and advertise aggressively. For employers, this could mean moving away from services provided abundantly and free by the private sector, such as Internet job matching, while concentrating on traditional DWD strengths, such as job training.

2. **REDEFINE STAFFING**
   CIO Beth Martin says that not only have no counselors been moved out of their traditional roles, but investment in staffing is necessary because of the high volume of customers requiring face-to-face counseling. Moreover, DWD is preparing for more value chain integration by moving toward blended services whereby counselors handle a much broader range of social services. In fact, employees were once called “claims takers,” but now they are “customer service specialists.” This is not simply a cosmetic change, as they are now required to know so much about so many different programs.

3. **IMPLEMENT CRM**
   CIO Martin sees a definite opportunity for CRM to help bundle the remaining parts of the service delivery value chain not currently covered by CS3—especially career planning. “Right now, we track services for customers, but don’t have a real customer management process electronically, [for matching skills to jobs],” Martin says.” The customer has to initiate the search and the system only lets them know what they can do today. But if we could proactively identify patterns, like in education or employment history, I think we could really help customers better plan for their futures.”

4. **ESTABLISH E-LEARNING**
   Deputy Commissioner Don Banning sees Web-based training and certification as paths to helping more incumbent workers move up their career ladders more quickly, and wants to develop an associate’s degree program in advanced manufacturing for the Internet. For disadvantaged workers such as parolees and welfare recipients who may not have remote Web access, Deputy Commissioner Banning sees the opportunity for a combination of classroom and in-office Web training. Today, DWD is piloting such a project in the state capitol of Indianapolis. While DWD has differentiated its customers, it is firmly committed to using CS3 and the Internet to serve its entire base.
Endnotes

1 In our earlier report “At the Dawn of e-Government: The Citizen as Customer,” government executives around the world said that the top two reasons why they want to enhance customer service are to meet customer demand and better leverage taxes; or, in other words, to increase customer satisfaction while lowering the cost of operations.


5 Interview with Donna West, Director of Field Operations, Nevada Department of Motor Vehicles. April 2001.


9 A notable exception is in the distribution of government-produced documents, such as year-end fiscal reports. Normally, governments bear the cost of printing and postage for such reports that can run into the millions per year. If customers can access the documents in soft-copy form online, then each new customer doing so will continue to save government the incremental cost of printing one additional report. Hence, the Web channel has helped to reduce the net cost of operations. However, the savings for the majority of other services that have a printing component will likely be much less pronounced, as print volumes are generally smaller.

10 In his landmark work Competitive Strategy: Creating and Sustaining Superior Performance. Harvard Business School professor Michael Porter introduced the concept of value chain as a way for, primarily, manufacturers to break down components of their operations and define how each marginally contributes value to an enterprise’s goals. While Porter’s construct is very detailed, we have adapted its key principles and applied them in an e-Government setting.

11 Interview with Arun Baheti, Director of e-Government for the State of California.

12 “Government Online Newsletter, January 2001.” Australian National Office for the Information Economy

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