



A time of transformation

Public and social sector study 2023

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The public and social sector study 2023 was conducted with 101 C-suite executives between 9 November and 14 December 2022. All respondents have annual budgets over \$1m. The survey included leaders from France, Germany, South Africa, United Kingdom and the United States.



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Executive summary

The public sector is in a time of transformation. Expectations of organisations in the sector are growing. And financial constraints and regulatory burdens are creating a challenging operating environment.

To understand some of the challenges leaders in this sector face, and the steps they are taking to tackle them, Mazars surveyed more than 100 public sector executives in five countries.

Encouragingly, despite the challenges of 2022, including ongoing inflation and economic instability, our research found that 92% of leaders had reported an increase in budget for 2022 vs 2021 and 85% expected their organisation's budget to increase in the next financial year. The C-suite are also relatively confident their organisation is prepared for the trends in the coming year. Leaders are particularly confident in managing public health challenges, new models of work and new technologies, although confidence is lower when it comes to economic uncertainty and energy prices.

Technology is a key focus, with respondents identifying transforming their company's IT as their number one strategic priority for the coming three to five years. Our research shows leaders plan to invest time, money and resources to achieve this: digitising internal operations and improving efficiency are the top two areas of planned investment growth in the coming 12 months. Leaders need to fully understand how they can implement technology effectively to really transform services and increase efficiency in their organisations. Reassuringly, almost all public sector executives surveyed are confident they can manage the emergence of new technologies, with over half feeling very confident.

Transforming services is also high on agendas, with a third of leaders saying entering a new product or service category is a key strategic priority. Leaders seem to recognise the need to continually evolve and transform for their organisation to thrive: nearly three quarters say they plan to increase investment of time, money and resources in new products, services or markets in the year ahead.

Talent is another area attracting leaders' attention. In a sector where candidates often need an intrinsic motivation, such as contributing to society or helping citizens, to apply, having the right talent is vital. People are undeniably at the heart of the public and social sector. This is reinforced by our research, which shows a third of leaders consider a new or revised talent attraction and retention strategy a strategic priority. They want the best people and believe career progression and training, as well as leaning on their organisational prestige, are the main factors to attract them.

There will certainly be obstacles for public sector leaders to overcome in the years to come. But they appear confident to take on the tasks ahead, especially those they consider most important, including technology, new services and talent. With leaders striving for enhanced efficiency, focusing resources on new technology and services and ensuring their organisation can attract the best talent, the public sector is now in a time of transformation.



Peter Cudlip
Head of Public and Social Sector

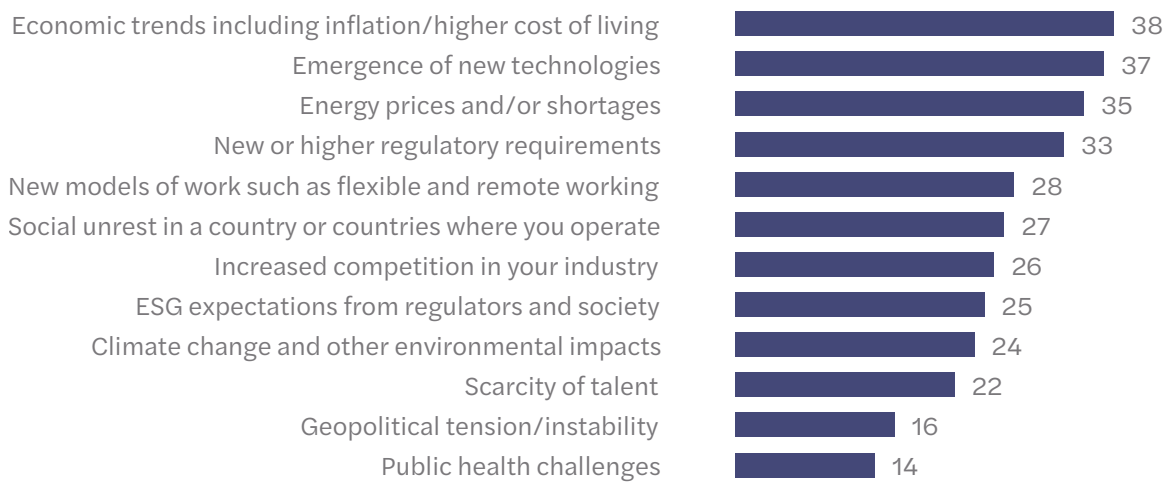
Outlook for the sector

Despite the financial constraints and regulatory burdens many organisations in the sector face, a strong majority (92%) of public sector leaders experienced budget growth in 2022 and are confident this will continue in 2023.

Perhaps unsurprisingly, economic trends such as inflation/cost of living are expected to have the biggest impact this year, followed by the emergence of new technology and energy prices/shortages.

Top external trends expected to impact public sector organisations in 2023

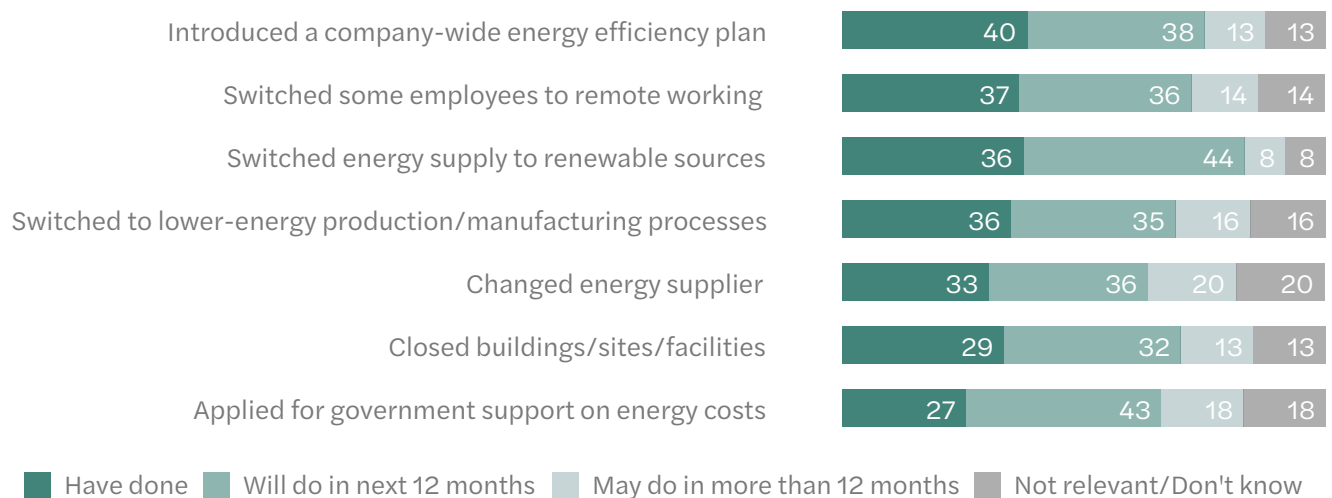
Percent of public sector respondents



The majority (59%) expect energy costs to return to their pre-2022 level during 2023: 23% say this will happen in the first half of the year; 36% anticipate it will be the second half. Still, leaders are acting now to tackle energy costs: some 40% have already introduced a company-wide energy efficiency plan.

Actions taken on cost of energy

Percent of public sector respondents

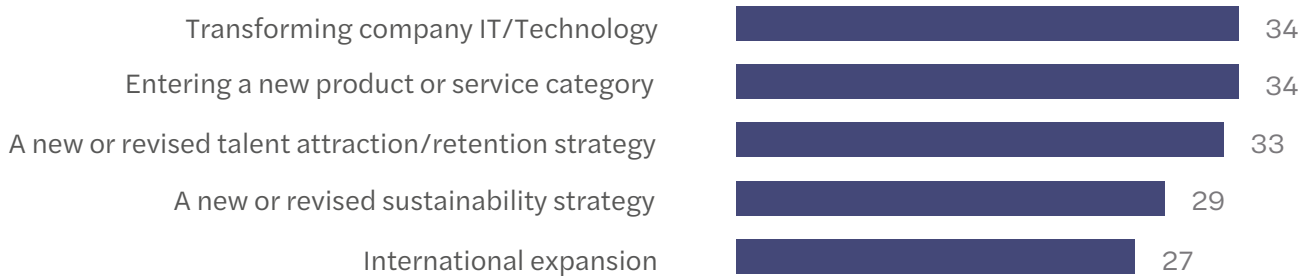


Outlook for the sector

Looking ahead, transforming company technology, entering new services and attracting talent top the strategic agenda.

Top 5 strategic priorities for the next three to five years

Percent of public sector respondents



92%

Majority experienced budget growth in 2022 vs 2021

40%

Leaders have introduced company-wide energy efficiency plans to tackle energy costs, and a further 38% plan to in the coming year

Transforming technology

Entering a new product or service category is the joint-top strategic priority with transforming company technology. This, combined with the planned increase of investment (time, money and resources) in new products, services or markets in the year ahead, shows the sector is seeking to transform its services and embrace technology.

In a sector often burdened by old legacy systems and business processes, leaders show a desire to invest to improve efficiency. Digitising internal operations is the top area for increased investment in the coming year (75%), with improving efficiency a close second.

The emergence of new technologies is expected to have a big impact on organisations in the coming year and leaders appreciate the role technology can play in helping to transform their business. Overall, leaders are relatively familiar with a range of new technologies, especially artificial intelligence (AI), automation and big data and to a lesser extent the Metaverse and Web 3.0 concepts. Web 3.0 technologies are considered important, alongside big data, so should be explored further. Encouragingly, almost all respondents said they were confident their organisation can deal with the emergence of new technologies, with more than half (57%) very confident.

34%

Transforming company IT/ technology (34%) and entering a new product or service category (34%) are the top priorities for public sector leaders in the next three to five years

75%

Three quarters expect to increase investment in digitising internal operations

37%

More than a third expect the emergence of technology to have a big impact on their organisation in 2023

Talent

The battle for talent is a challenge everywhere. Public sector leaders agree having the right people is crucial: a third say a new or revised talent attraction/retention strategy is a key strategic priority in the next three to five years.

Executives believe the most important factors in attracting talent to their organisation are opportunities for career progression (80%), training/development (79%) and organisational prestige (77%).

Gender diversity in leadership positions is still lacking in most organisations, including those in the public sector. More than half of our survey respondents say their company has a programme in place to tackle gender equality and sexism and 80% of those confirm their executive committee is financially incentivised to achieve gender equality targets in the leadership team. Yet, most strategic decision-making roles are held by men: 53% of the organisations surveyed, report that fewer than 30% of their organisation's top strategic decision-makers are female.



53%

Majority have a dedicated programme on gender equality and sexism

53%

Over half of those organisations surveyed have less than 30% women in strategic leadership positions (meaning 47% have above 30% female leadership)

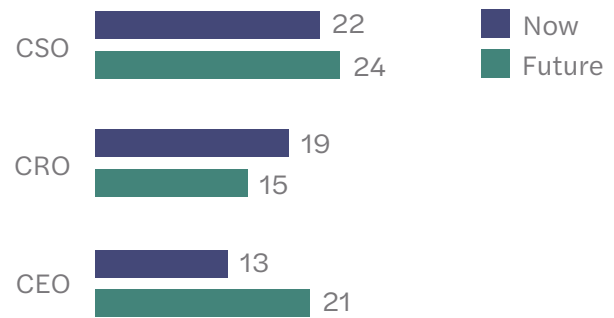
Sustainability

Sustainability is an important topic for public sector leaders, with nearly a third identifying a new or revised sustainability strategy as a key strategic priority. But action is also being taken now: three quarters of organisations have already budgeted costs for their ESG strategy and/or reporting, while seven in ten organisations are already producing a sustainability report.

Data quality is highlighted as the main challenge (45%) when it comes to reporting, along with finding the right provider (34%). Most currently hold their Chief Sustainability Officer (CSO) or Chief Risk Officer (CRO) responsible but plan to shift the balance more towards CEOs in future, suggesting reporting is still to find a home in many organisations.

Top three roles responsible for sustainability reporting, now and in the future

Percent of public sector respondents



70%

Most organisations already produce a sustainability report

29%

Nearly a third identify a new or revised sustainability strategy as a key strategic priority

72%

Nearly three quarters have already budgeted costs for their ESG strategy and/or reporting

Conclusion

With expectations of organisations in the public sector growing, now is the time for organisations to transform themselves. By investing in improving technology and efficiency, attracting the right talent and diversifying their product or service offering, organisations can ensure they are ready to tackle the challenges ahead and make the most of opportunities to meet the needs of their stakeholders now and in the future.

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