

Digital Transformation in the Public Sector

A Candid Survey of Modernization in Federal, State, and Local Governments

Underwritten by



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Overview

Purpose

Government agencies are weathering a digital explosion: greater and greater amounts of information are being stored and transmitted electronically, but the digital infrastructure powering these operations is straining under the weight. The pressure has exposed gaps in business processes, leadership strategy, and recruitment efforts, reinforcing the idea that digital transformation is not entirely understood, supported, or directed as it should be. With limited budgets, agencies are forced to choose between equally critical priorities in order to protect their data, expand mission potential, and prepare workforce needs for the future.

Do they have what they need to succeed?

To answer this question and understand more about the challenges agencies face in their digital transformation journey, Government Business Council (GBC) conducted an in-depth research study of federal, state, and local government employees.

Research Methodology

In April 2019, GBC and KPMG released a survey exploring perceptions of digital transformation efforts in federal, state, and local governments. 388 employees responded, representing over 28 federal agencies and many more state and local agencies across the nation. 56% of federal respondents hold positions at the GS/GM-13 level or above (including Senior Executive Service). Respondents hold a variety of job functions, with highest input from program owners, administrative officers, and agency leadership. For more information on respondents, please see the Respondent Profile.

Executive Summary

Many cite slow progress in their digital transformation

Half of respondents say their agency lags behind other departments when it comes to acquiring new IT that can transform business processes. A fifth of respondents go even further, saying they are not at all satisfied with the rate of progress their agency made last year to modernize IT. And asked whether their agencies have sufficient processes, technology, strategy, and skills in place to conquer the digital transformation, at least half lack confidence that existing technology and processes can get them where they need to be. Effective digital transformation requires dedicated support, but agencies aren't getting it.

Agencies are prioritizing IT that can improve internal processes

A clear majority of respondents say any new IT acquisitions are being made with an eye towards refining internal processes and capabilities (e.g., efficiency, worker development), as opposed to external improvements (e.g., engagement with citizens, public safety). Among a range of drivers, respondents cite policy mandates and directives as exerting the greatest influence over their organization's decision to pursue digital transformation. However, less than a third of those surveyed say their agency has a target operating model in mind to guide digital transformation initiatives to success. The lack of clear direction presents a major hurdle to many digital transformation efforts.

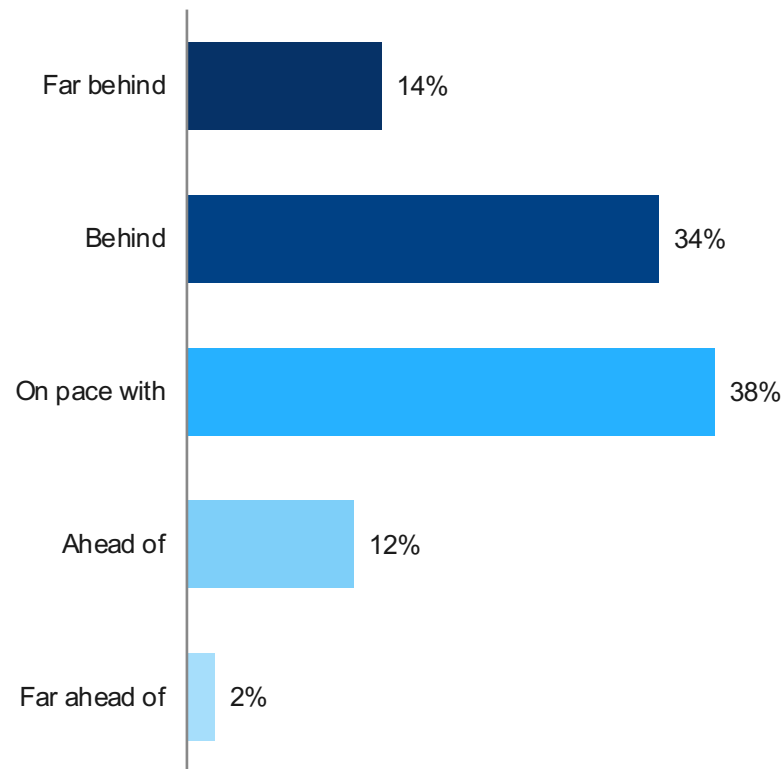
Leadership is seen as a critical enabler for digital transformation

43% of respondents say C-suite leaders and program owners are equally critical to achieving digital transformation objectives. That being said, many respondents feel that communication and interdisciplinary collaboration has room to improve in the year ahead: 56% say their organization struggles to deploy cross-functional teams consisting of both IT and non-IT personnel, and a quarter of respondents feel their agency is not at all effective in helping leaders work collaboratively to deliver technology change. While respondents recognize the critical role that leadership can play, the picture they paint shows that digital transformation isn't fully understood at the highest level where collaboration, education, and sharing of ideas can catalyze solutions to the most difficult transformation challenges.

Research Findings

Approximately half of those surveyed feel their organization lags behind in digital transformation

"I consider my organization _____ other departments/ agencies when it comes to adopting new technologies to transform business processes."



48%

of respondents believe their organization trails other departments when it comes to adopting new technologies for transforming business processes.

38%

say they are on pace with transformation trends

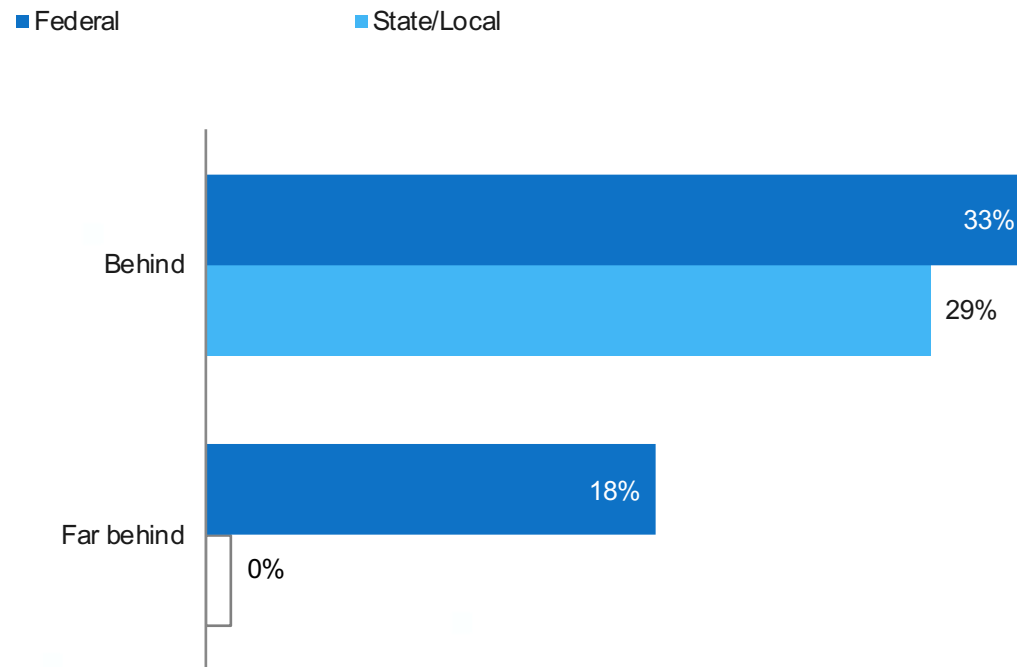
14%

feel their organization has surpassed others in transforming business processes using new technology

Percentage of respondents, n=388
Note: Percentages may not add up to 100% due to rounding

Federal agencies evince greater frustration with pace of IT acquisition than state/local counterparts

"I consider my organization _____ other departments/agencies when it comes to adopting new technologies to transform business processes."



Percentage of Federal respondents, n=225
Percentage of State/Local respondents, n=45

1 in 2

federal respondents believe their agency is either behind or far behind peer agencies when it comes to adopting new tech to transform business processes.

29%

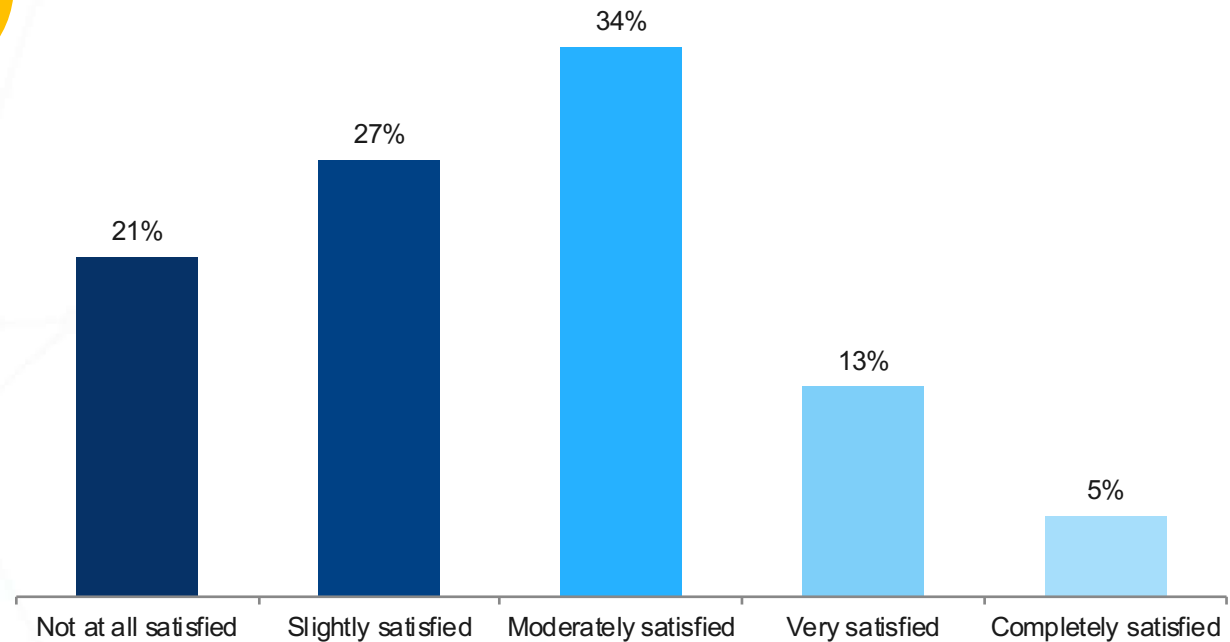
of respondents in state and local government, meanwhile, feel they lag behind other state/local departments when it comes to tech acquisition for transformation initiatives.

Respondents are sharply divided on agency efforts to acquire transformative IT

How satisfied are you with the progress your organization made in the last year when it comes to adopting new technologies to transform business processes?

1 in 5

respondents are not at all satisfied in their organization's progress when it comes to adopting new IT for business transformation.



Percentage of respondents, n=370
Note: Percentages may not add up to 100% due to rounding

Respondents are mixed when evaluating how well their organizations have acquired transformative IT. While 52% are moderately, very, or completely satisfied with progress, another 48% are either not very or not at all satisfied in efforts to date.

Overall, the results show that agencies have enjoyed varying degrees of success when implementing new IT to transform business processes.

56% of respondents say internal considerations are pushing their agency to chase digital reforms

Organizations have a number of reasons to pursue digital transformation, but to what extent is this journey incentivized by internal benefits versus external benefits? A majority of those surveyed say internal considerations carry greatest weight in their organization's decision-making process, with business intelligence and worker development expected to increase as transformative tech is brought on board.

Is your organization's digital transformation dictated more by internal pursuits or external pursuits?

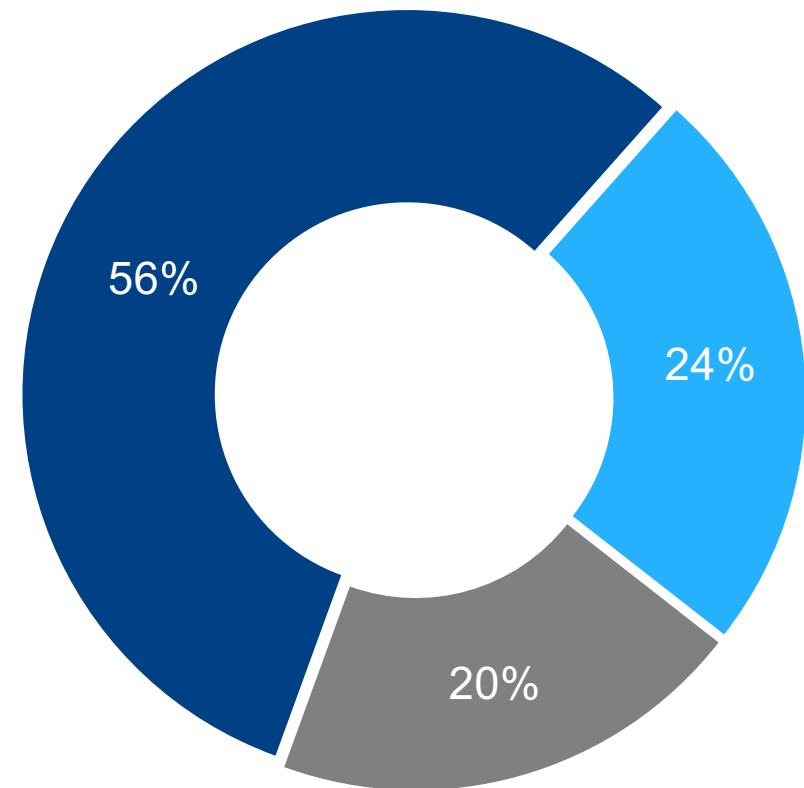


■ **INTERNAL:**
improvements to organizational efficiency, processes, intelligence, visibility, and worker development



■ **EXTERNAL:**
improvements to citizen services, field capabilities, engagement/outreach, public safety, and accessibility

■ **Neither**

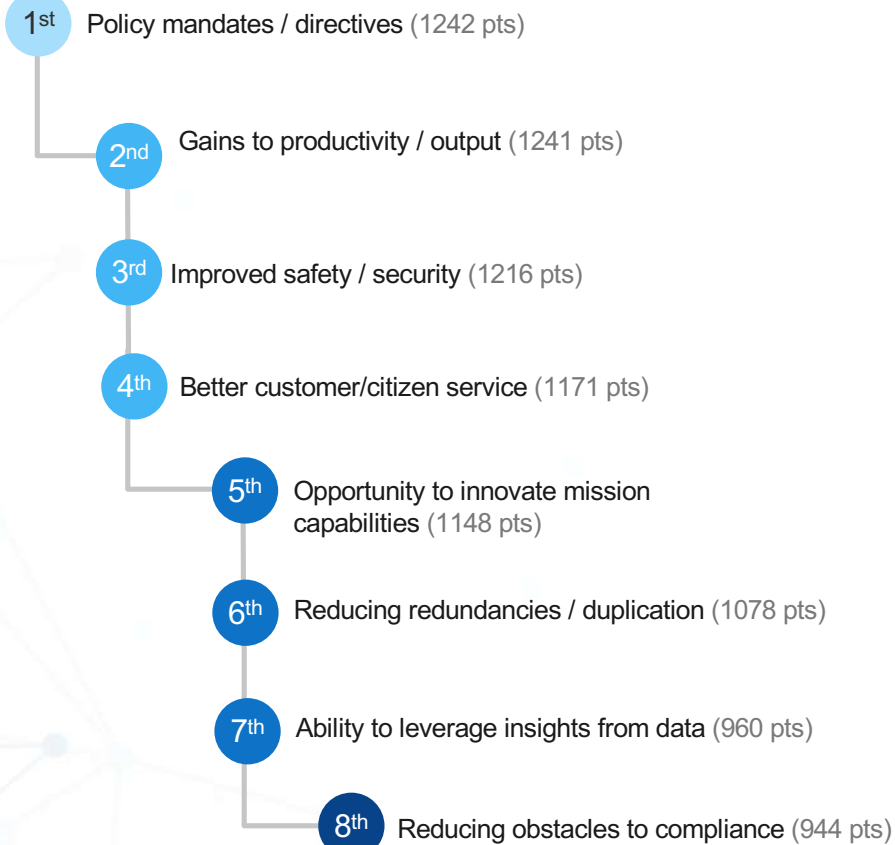


Percentage of all respondents, n=359
Note: Percentages may not add up to 100% due to rounding

Government mandates are driving agencies to pursue digital transformation initiatives

Top Motivations for IT Transformation

Ranked by respondents according to the factors they consider most influential



Overall, respondents feel that policy mandates and directives (such as the MGT Act and Cloud Smart) are the greatest drivers of digital transformation in their agency.

However, many say that gains to productivity and improved safety are top reasons as well.

Respondents were asked to respond to the following question: "Which factors hold greatest influence over your organization's decision to pursue IT transformation? Please rank options from top to bottom by level of importance to your organization."

Rankings and total scores are displayed here using the Borda count method, where each answer choice earns points based on the order in which respondents placed them. Each respondent's top answer choice receives the maximum score of n points for that respondent, where n is equal to the total number of options. Each subsequent choice receives 1 less point than the one ranked ahead of it. Unranked answer choices receive zero points.

Please see Appendix for further detail.

Ranked by Borda count, n=250

A large, stylized yellow quotation mark icon.

My agency, and the U.S. government, should develop **mid-to-long term digital strategies** that combine the introduction of new technology and 'up-skilling' people to use these innovative tools.

However, I'm not sure if we are asking the **right questions** when it comes to innovating to enhance our mission capabilities and how much impact digital transformation can have on the current and future government workforce.

There is a displacement effect, people's skill sets are [becoming] outdated. This will be a **tricky balance** going forward.

Survey Respondent

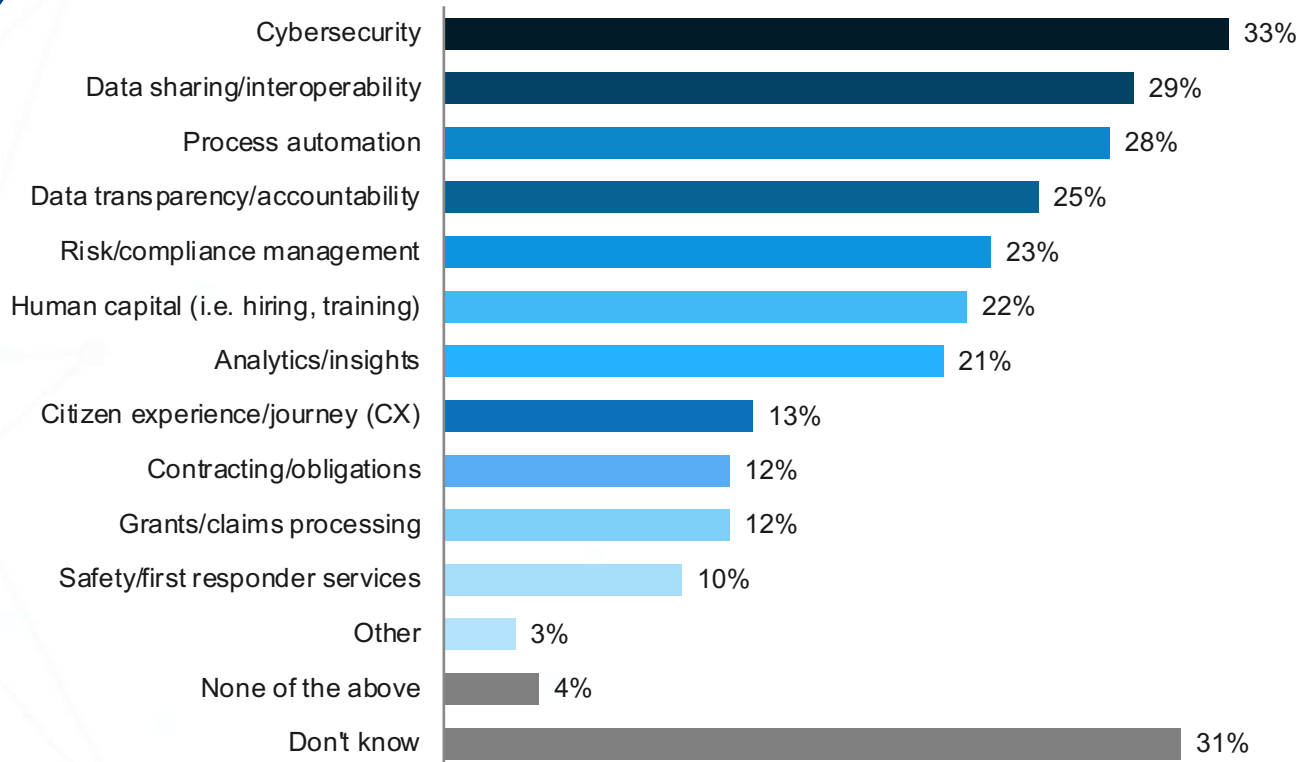
Agencies concentrate IT around improving cybersecurity, data sharing, and process automation



1 in 3

respondents identify cybersecurity as a mission area their leaders will improve through IT in the near future.

What mission areas is your leadership planning to improve through the use of IT in the near future? Please select all that apply.



Percentage of respondents, n=361
Respondents were asked to select all that apply

According to respondents, cybersecurity, interoperability, and process automation will receive the brunt of attention in the near future when it comes to using IT to improve mission areas.

Respondents selecting "Other" specified a number of options not provided in the original choices, including telehealth services, health systems, financial systems, workplace applications, hardware replacement, collaboration technology, training, and constituent services.

Across the board, respondents are skeptical that agencies have what they need to transform

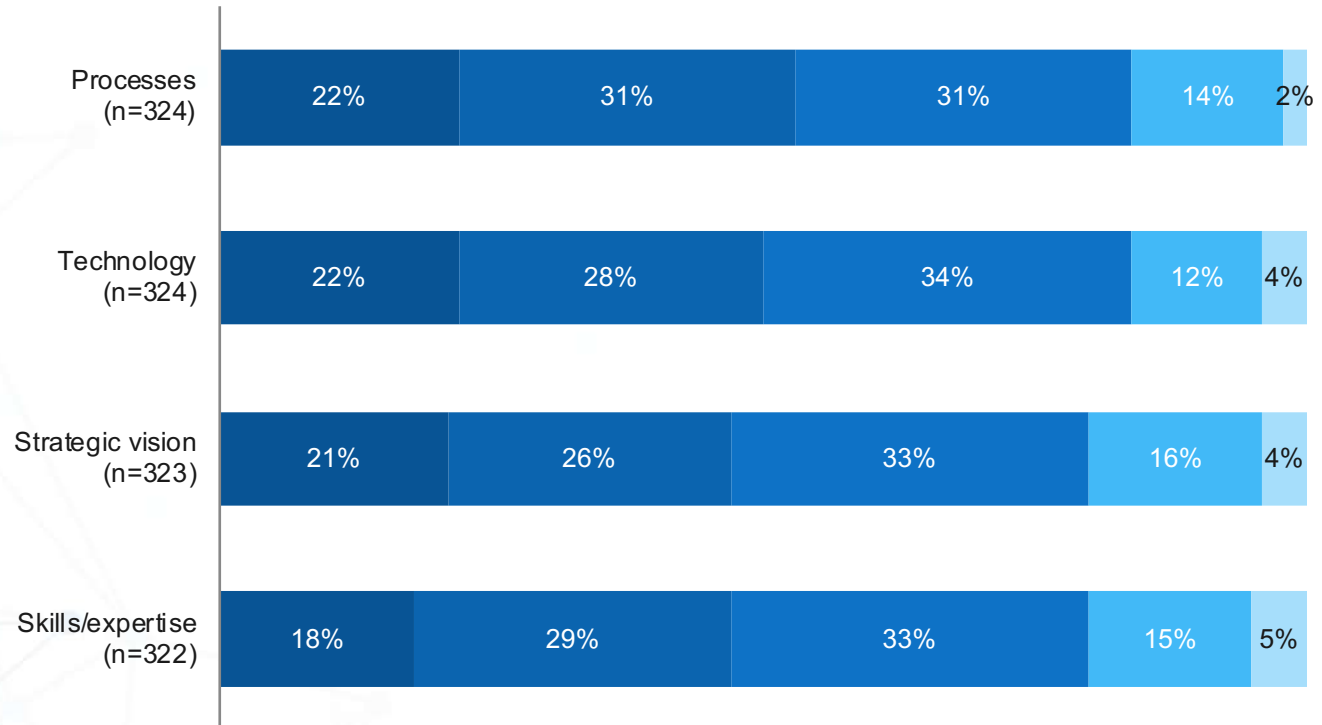
Most respondents lack confidence that their organizations have all the right ingredients to achieve successful IT transformation. 53% are only slightly or not at all confident that existing processes will enable them to complete this journey. Confidence is only slightly higher when it comes to evaluations of technology, strategic vision, and skills/expertise.

How confident are you that your organization has the desired _____ it needs to achieve successful IT transformation?

53%

of respondents are only slightly or not at all confident that existing processes will enable them to complete this journey

■ Not at all confident ■ Slightly confident ■ Moderately confident ■ Very confident ■ Extremely confident



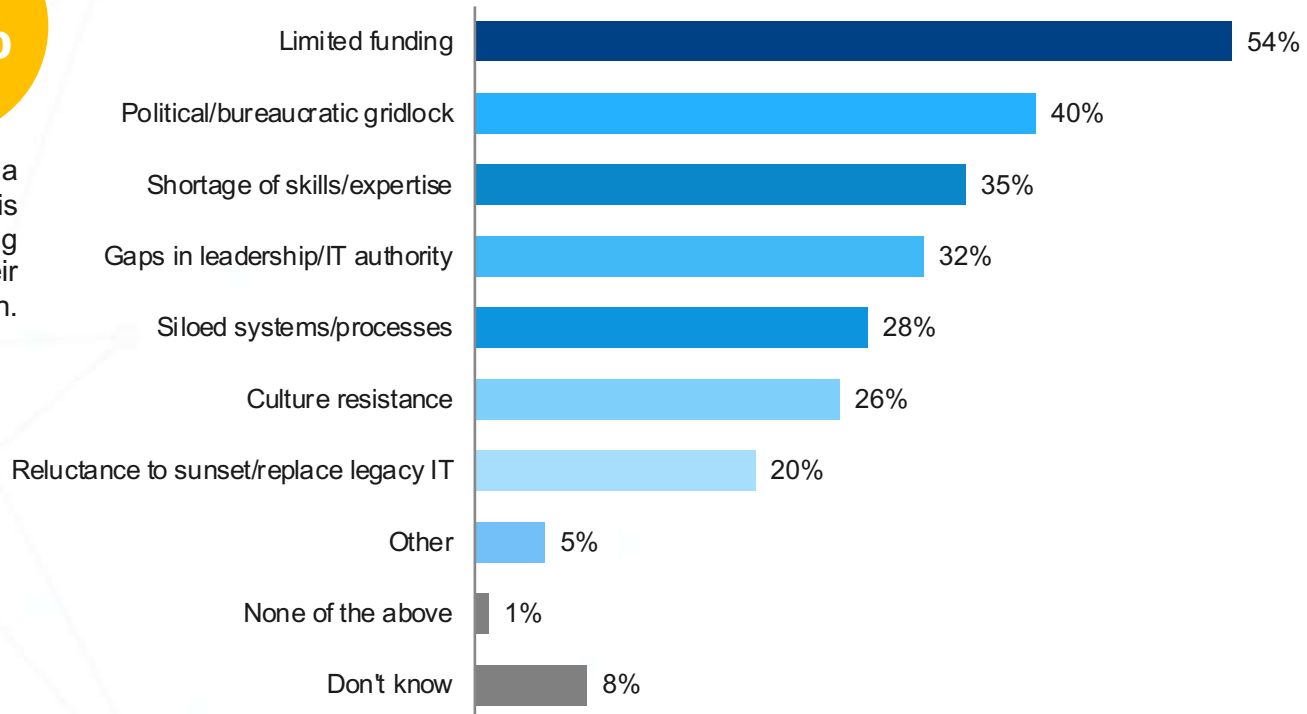
Percentage of respondents, n varies
Note: Percentages may not add up to 100% due to rounding

Tight budgets and political gridlock are most common impediments to transformation efforts

What obstacles (if any) are responsible for delaying/sidelining digital transformation initiatives at your organization? Please limit your answer to three choices.

35%

of respondents feel that a shortage of expertise is responsible for delaying digital transformation at their organization.



Percentage of respondents, n=313
Respondents were limited to selecting three options

Aside from funding, internal politics and a shortage of expertise also complicate the digital mission. As one respondent says, "I realize the government has difficulty matching private sector pay, but we need to develop a happy medium so that we can acquire the skills necessary to meet the challenges posed by improving non-DoD IT system technology."

Respondents selecting "Other" specified a number of options not provided in the original choices, including cybersecurity, lack of user interface and expertise, security validation requirements, lack of cohesion between lines of business, and mismanagement.

KPMG's Perspective



Carl D. Marsh
State and Local CIO
Advisory Leader,
KPMG LLP

Carl Marsh is KPMG's State and Local Government CIO Advisory Industry leader. He has over twenty five years of experience working with both the public and private sector entities to maximize and harness the advantages of technology, innovation, transformation and organizational excellence initiatives.

State and local transformation starts with a laser focus on the constituent

Many associate Digital Transformation with migrating systems and applications to the Cloud, but they frequently overlook whether such systems can meet even current critical requirements, let alone mid-to-long term requirements. While the cloud is often a key aspect of many Digital services, there are many important and poorly understood aspects of Digital Transformation. This survey sought to understand the perceptions and current state of Digital Transformation efforts throughout the U.S. Federal and State and Local governments, and to understand any differences with broader commercial and global trends. The findings are stark, but the opportunity is great.

As findings in the survey show, government agencies face multiple challenges to Digital Transformation efforts. We find that many agencies are transforming for imprecise reasons, that their transformation efforts are not well understood, supported, and coordinated, and are generally perceived to under-deliver on the intended benefits.

For example, many respondents we surveyed say that internal (not external) drivers are dictating their agency's transformation plans. This motivation may prevent agencies and the people and organizations that they serve from reaping the potential benefits of digital initiatives. Additionally, these motivations are in sharp contrast to the success we've observed by best-in-class commercial entities where the focus is on enhancing the client experience and supporting better outcomes.

Additional findings in the study back up these conclusions:

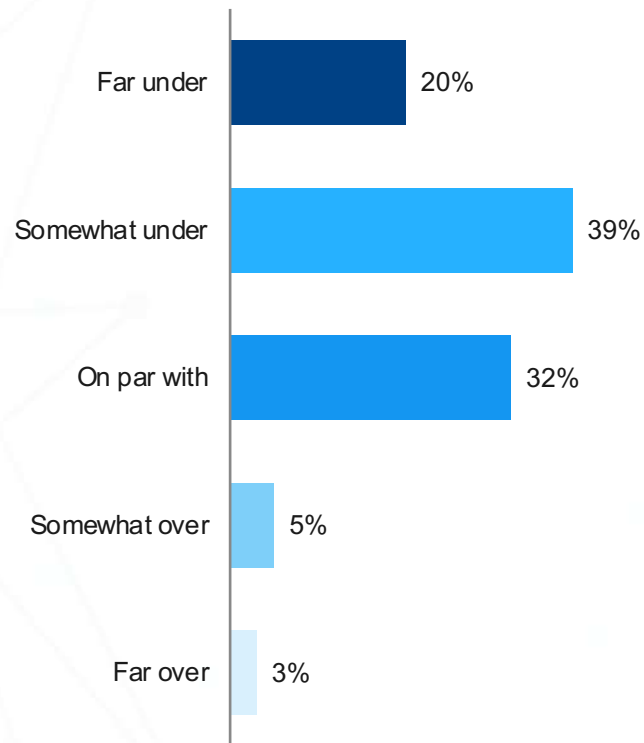
- Better customer/citizen service is 4th on the list of perceived motivations for driving transformation, **and yet...**
- When asked what areas their leadership is planning to improve through IT, **just 13% of respondents identify citizen (or constituent) experience as a focus**
- Therefore, respondents are skeptical of future progress: **approximately half are not very or not at all confident** that current processes, strategy, tech, or personnel are sufficient for successful transformation.

Interestingly, the majority of respondents anticipate an increase in future funding for digital transformation efforts. Given the current state of digital transformation depicted in this survey, we must question if government agencies will get the full value of increased future funding levels. To deal with some of these digital transformation challenges, agencies should reassess current efforts to ensure they have a unified Digital Transformation plan which aligns to the business priorities of each agency.

Additionally, agencies should develop a target operating model that includes how end-to-end processes will be transformed and supported on a flexible and scalable cloud-based platform that embeds data and analytics capabilities to constantly analyze and improve processes and outcomes. This plan also needs to address the organization and skills needed to operate a digital enterprise. Since large transformation efforts are often risky and difficult to fund, this plan can be executed incrementally. But the important thing is that IT transformation efforts be properly planned and coordinated, and that they align with the business priorities of each agency. This is a complex effort, but the risks of inaction are too great. For more insights around KPMG's vision of the 'Future of IT', visit kpmg.com/Future-IT.

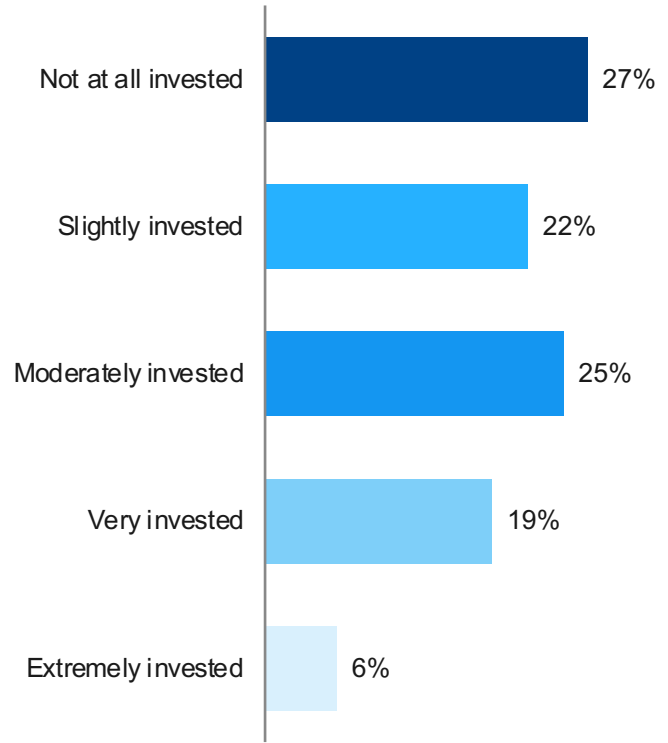
Many respondents have seen IT initiatives under-deliver and few feel personally invested

"In recent years, digital initiatives at my organization have delivered value _____ what was promised."



Percentage of all respondents, n=312
Note: Percentages may not add up to 100% due to rounding

To what extent do you feel personally invested in driving digital transformation at your organization?



Percentage of respondents, n=312
Note: Percentages may not add up to 100% due to rounding

59%

of respondents feel that digital initiatives in recent years have delivered value somewhat under or far under what was promised.

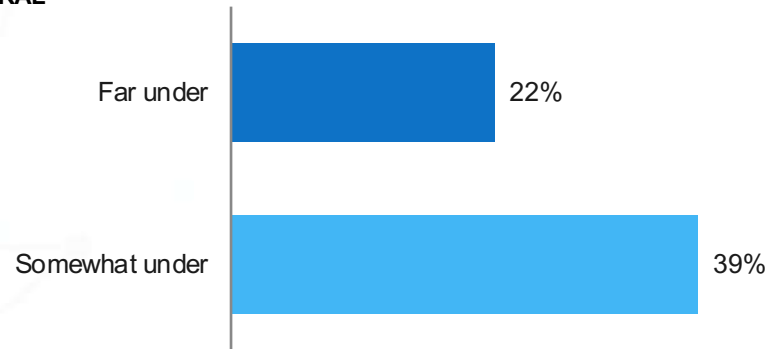
1 in 4

respondents feel very or extremely invested in their agency's digital transformation journey.

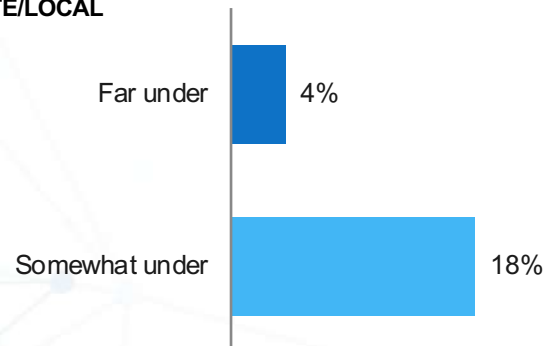
Federal respondents are significantly more disappointed by digital initiatives in recent years than their state/local counterparts

"In recent years, digital initiatives at my organization have delivered value _____ what was promised."

FEDERAL



STATE/LOCAL



64%

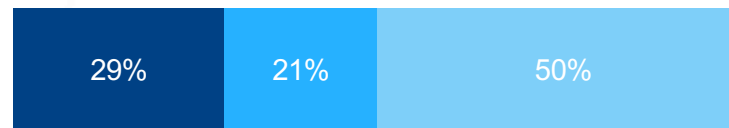
of federal respondents say digital initiatives have delivered value **far under** or **somewhat under** what was promised.

Just **22%** of state/local respondents hold the same view.

Percentage of Federal respondents, n=225
Percentage of State/Local respondents, n=45

Better communication between agencies and contractors may be required to address technology

To the best of your knowledge, does your organization have a target or future operating model it uses to guide transformation plans toward a final, desired outcome?



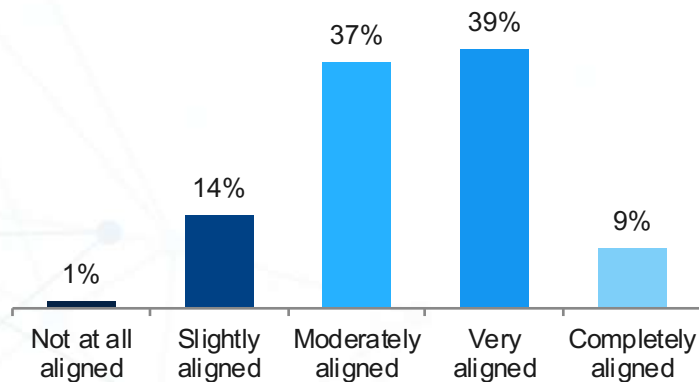
■ Yes ■ No ■ Don't know

Percentage of respondents, n=313
Note: Percentages may not add up to 100% due to rounding

29%

of respondents acknowledge the existence of a target operating model guiding their agency's transformation plans.

To what extent does this target operating model align with your agency strategy?



Percentage of respondents, n=90
Note: Percentages may not add up to 100% due to rounding

Many respondents see both C-suite leaders and program owners as critical to digital transformation



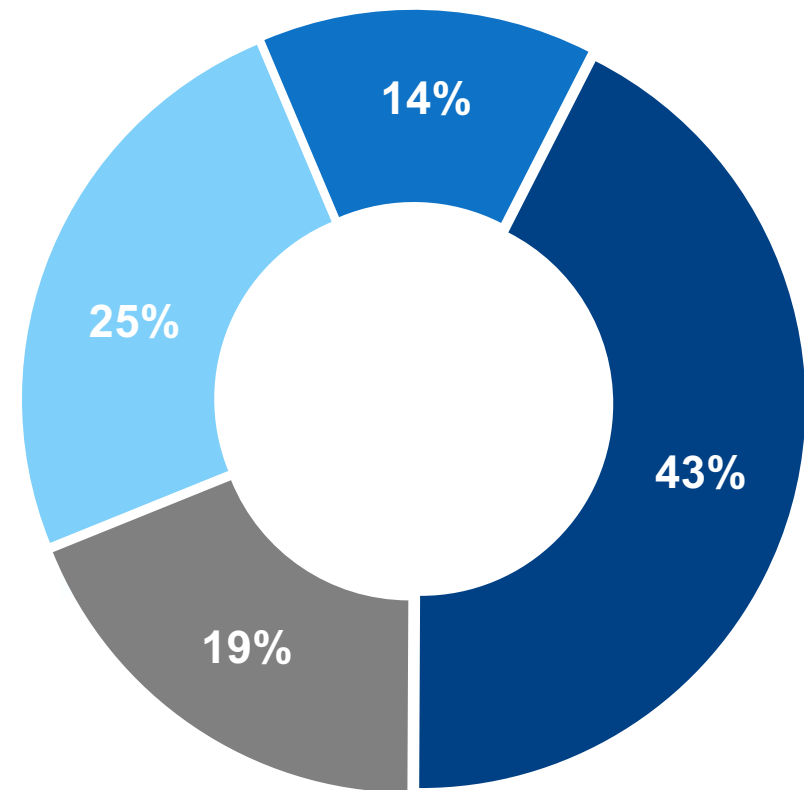
In terms of leadership, which group is more instrumental to ensuring digital transformation programs succeed in your organization?

■ C-suite (i.e., CIOs, CDOs, CTOs, etc.)

■ Program owners / mission owners

■ Both play critical roles

■ Neither



Percentage of all respondents, n=310
Note: Percentages may not add up to 100% due to rounding

“

There's no one in government who by default has this broad view of the citizen and how they are touched by all the services that government provides.

So the CIO really needs to share and communicate the vision of what the future of government looks like and how technology plays a role — **not to replace anyone, but to enhance what they do.**”

Mark Raymond, CIO of State of Connecticut

Cross-functional communication and IT collaboration is largely absent, according to respondents



56%

of respondents say their organization is slightly or not at all effective when it comes to deploying IT and non-IT personnel for cross-functional mission assignments.

1 in 4

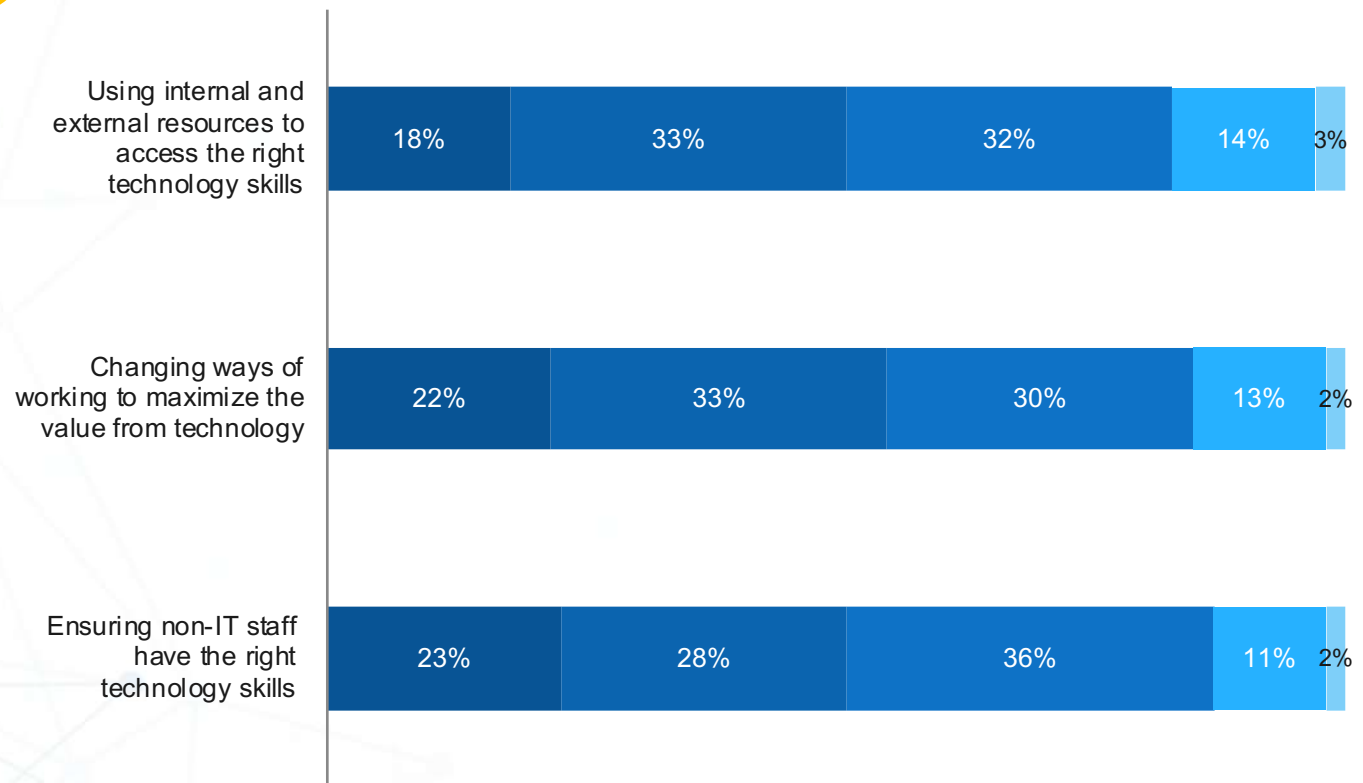
respondents believe their organization is not at all effective when it comes to facilitating systems that combine leadership efforts in delivering technology change.

Organizations struggle to accommodate mix of skills and resources for ensuring digital success



How effective is your organization when it comes to _____?

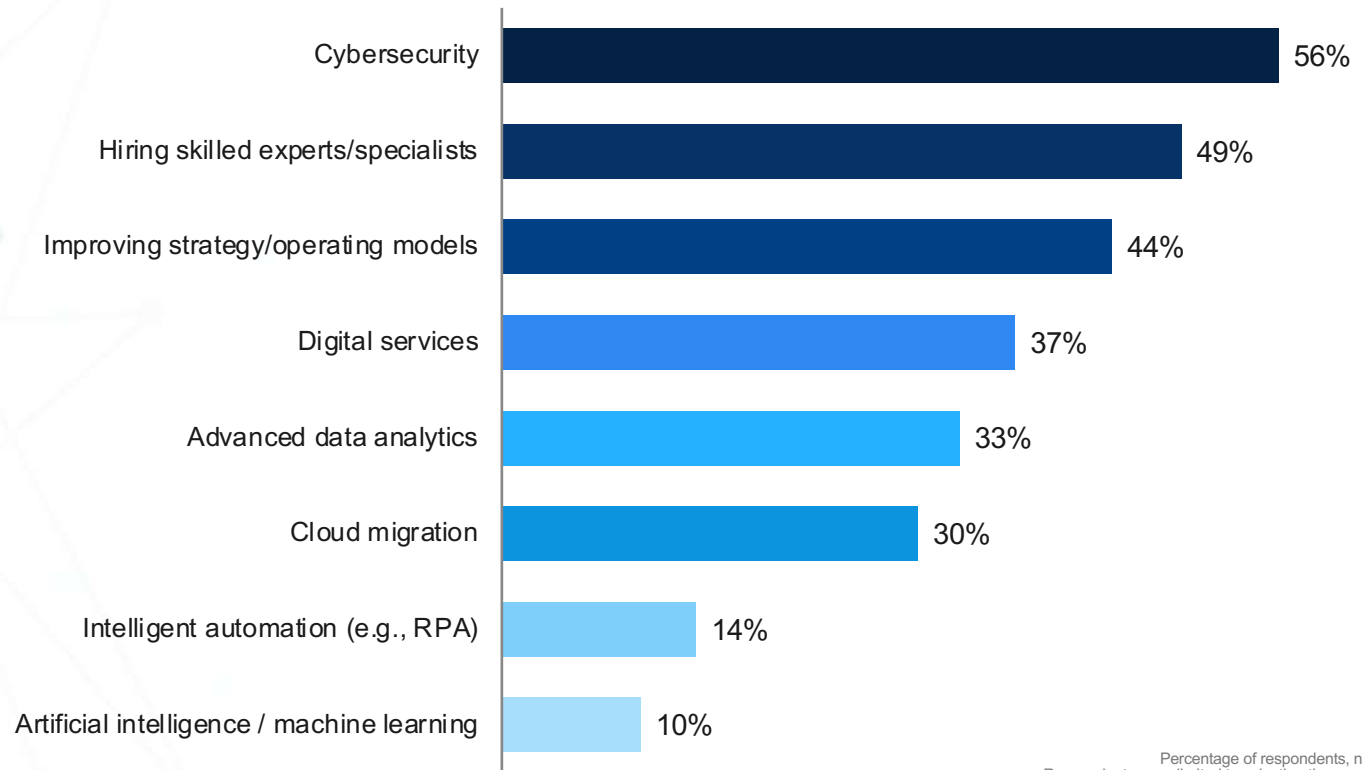
■ Not at all effective ■ Slightly effective ■ Moderately effective ■ Very effective ■ Extremely effective



Percentage of respondents, n=294
Note: Percentages may not add up to 100% due to rounding

Cybersecurity remains top priority on respondents' wish list for IT transformation

Suppose your organization was provided with sufficient resources to fund all its digital transformation priorities for 2019. What items would receive the greatest share of resources?



Percentage of respondents, n=277
Respondents were limited to selecting three options

Removing financial considerations from the picture, 56% of respondents said cybersecurity would receive the lion's share of digital transformation efforts in 2019.

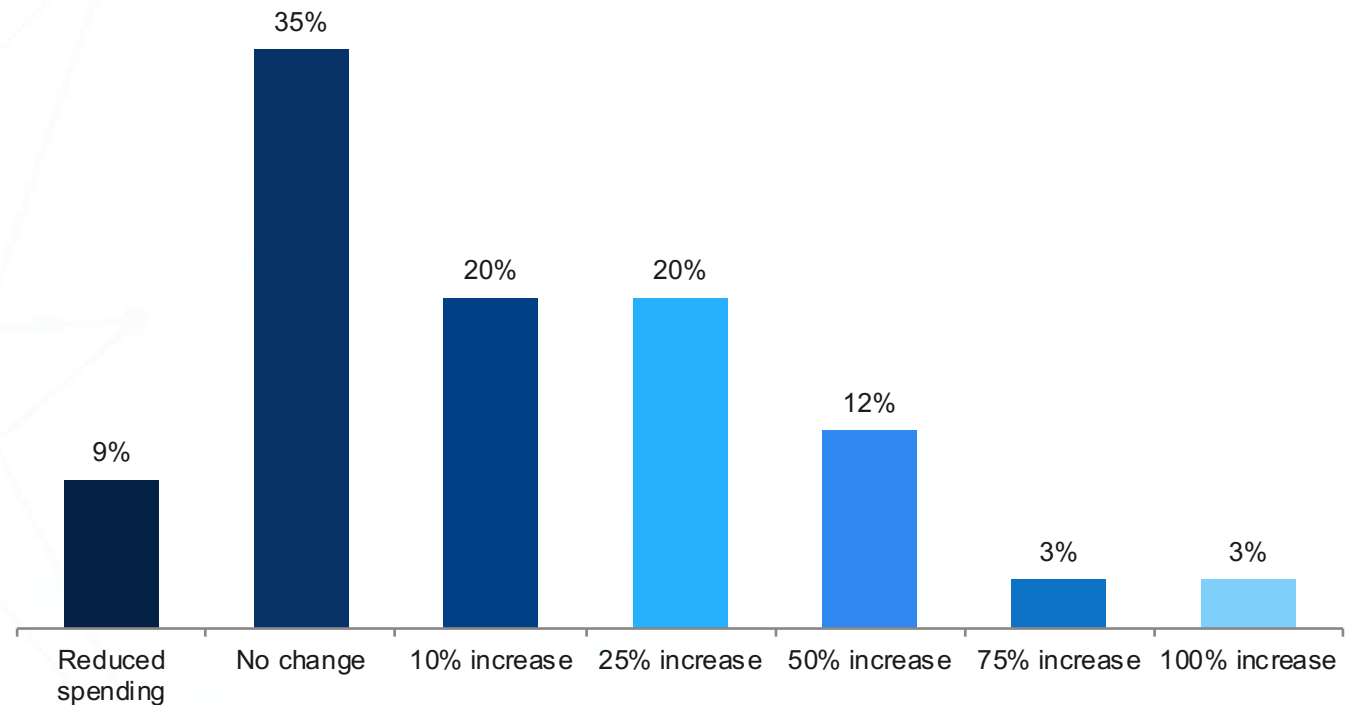
The recruitment of skilled experts (49%), improvements to strategy and operating models (44%), and digital services (37%) also received attention.

44%

of respondents say that improvements to strategy and operating models would receive most attention if they had all the funding they needed.

58% of respondents anticipate increases to digital transformation funding in 2019

Compared to past year's levels, how much do you anticipate your organization will invest in digital transformation technologies in 2019?



Percentage of respondents, n=280
Note: Percentages may not add up to 100% due to rounding

According to respondents, digital transformation initiatives should receive higher volumes of funding in 2019 relative to past years. In fact, 18% of those surveyed believe funding will increase by 50% or more in the year ahead, a drastic shift in purchase priorities from recent years.

35% anticipate funding levels will remain the same, and only 9% says digital transformation will receive less funding than years before.

18%

of respondents expect digital transformation initiatives to receive a 50% or more increase in funding over past years.

What Respondents Say...

“What does digital transformation mean to you? Please feel free to express your approval or disapproval of how your organization is achieving digital transformation.”

- Access to technology that makes my job easier, not more complicated with programs that bog down the speed of the processor.
- Ability to work from anywhere with ease and having successful results.
- Moving away from a dependency on hard copy and terrestrial methods to manage all aspects of the agencies mission.
- It's going from paper reliance to an electronic format in all means of transmitting and analyzing information. My agency is very frustrating in this regard. There is not enough urgency nor the skills needed to fully develop the capabilities of moving to a digital platform.
- Using digital technology to solve common problems.
- Better communication and access to medical records across multiple platforms and outside medical systems.
- Digital transformation has to be more than a data collection point, it has to interface smoothly with users without chronic outages, reboots, or constant delays in screen refresh time.
- Moving to the cloud!
- Digital transformation is the integration of digital technology into all areas of a business, fundamentally changing how you operate and deliver value to customers.
- It means automation and enhanced security for software/hardware.
- It's a cultural change that requires organizations to continually challenge the status quo, experiment, and get comfortable with failure. I think my organization is attempting digital transformation but it's a very slow process with many barriers.
- Digital transformation means that I can use IT to perform my job more efficiently and capably.
- Planning and successfully executing your digital strategy to the greater improvement and benefit of the organization.
- Identification and implementation of technologies to improve efficiency and accountability across all areas of the organization.
- Invested in hiring opportunities for qualified people
- It means staying up to date with the latest technologies needed to combat cyber intrusions, and for storing data in the cloud.

Looking Forward

To rally support behind objectives, agencies can make communication channels and decision-making chain more clear

In the year ahead, objectives like cybersecurity, data sharing, and process automation will receive the lion's share of attention when it comes to IT that can improve how governments function. But if such benefits are to be realized, agencies need to adopt a governance structure that clarifies decision-making power and strategic vision to the whole enterprise. Currently, less than a third of respondents believe their organization uses a target operating model to guide digital transformation to a successful end state. And respondents point to a lack of collaboration among leaders and cross-functional teams that, if corrected, could pave the way for smart digital-minded reforms. Instituting clear direction and collaborative policies from the CIO level down to the rest of enterprise will go a long way toward ensuring these goals are met.

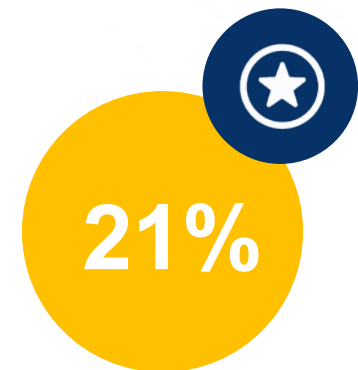
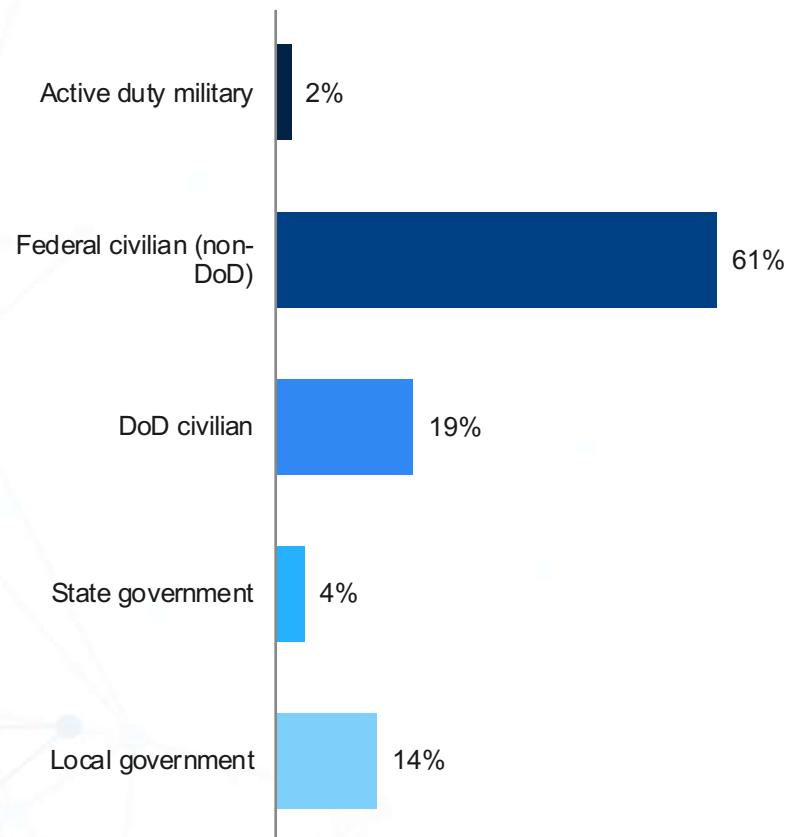
Create employee investment by reorienting transformation to serve the citizen

Every transformation program is guaranteed to stall without the support of the workforce behind it. At the moment, 49% of those surveyed do not feel personally invested in their agency's digital transformation. Therefore, it's not surprising that 59% feel digital initiatives have under-performed in recent years. Employees want to know their efforts are paying off for the people they were called to serve, and this only happens when an organization elevates constituent concerns over internal motivations. The most successful transformation programs are able to improve internal efficiency while delivering new benefits to the public. Agency leadership can take the opportunity to revise their strategy such that mission outcomes take center stage, thereby motivating the rest of the workforce to invest in long-term digital transformation.

Respondent Profile

Most respondents hold senior-level positions in the federal government

Employment situation

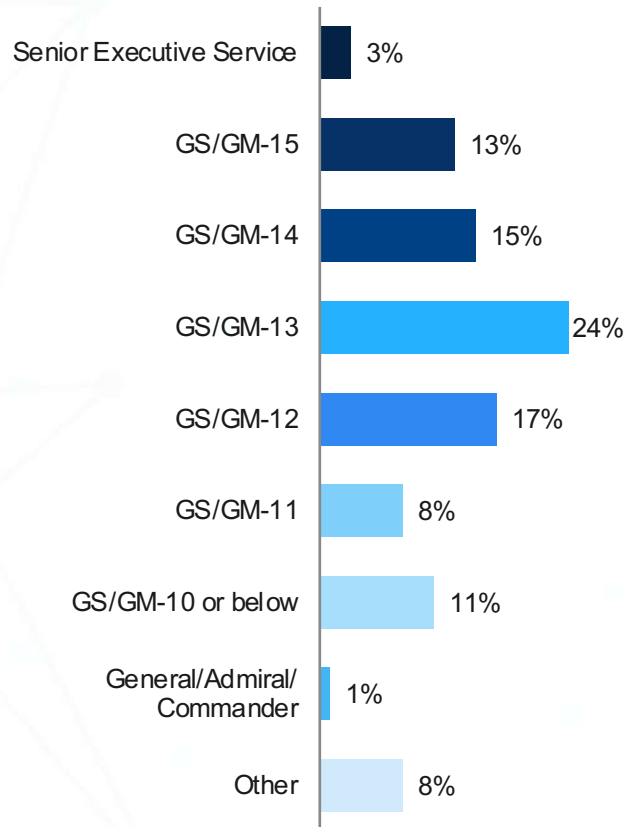


of respondents identify as either Active Duty Military or Department of Defense civilians.

Percentage of respondents, n=388
Note: Percentages may not add up to 100% due to rounding

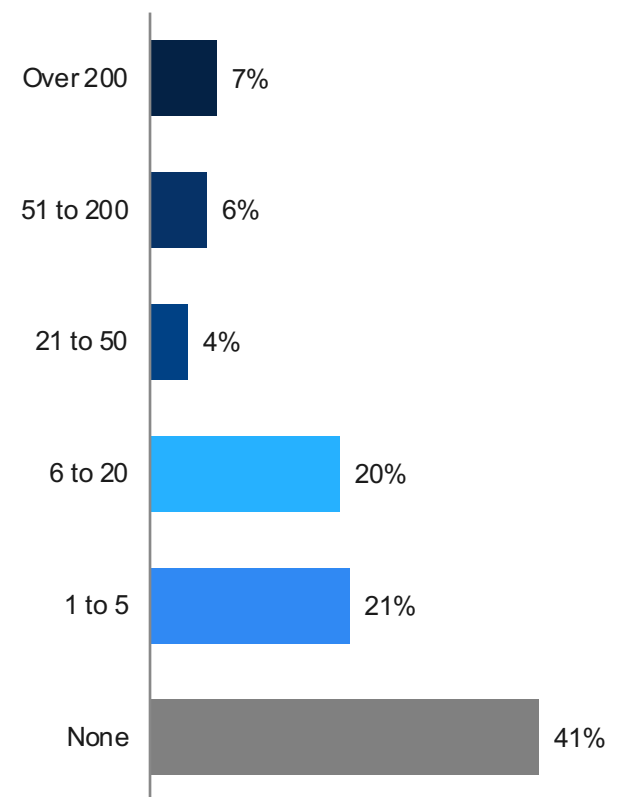
Respondents represent a senior audience of decision-makers wielding significant oversight

Job grade/rank



Percentage of respondents, n=316
Note: Percentages may not add up to 100% due to rounding

Direct oversight/reports



Percentage of respondents, n=285
Note: Percentages may not add up to 100% due to rounding

56%

of respondents hold rank at the GS/GM-13 level or above, including Senior Executive Service personnel and military officers of equivalent rank.

58%

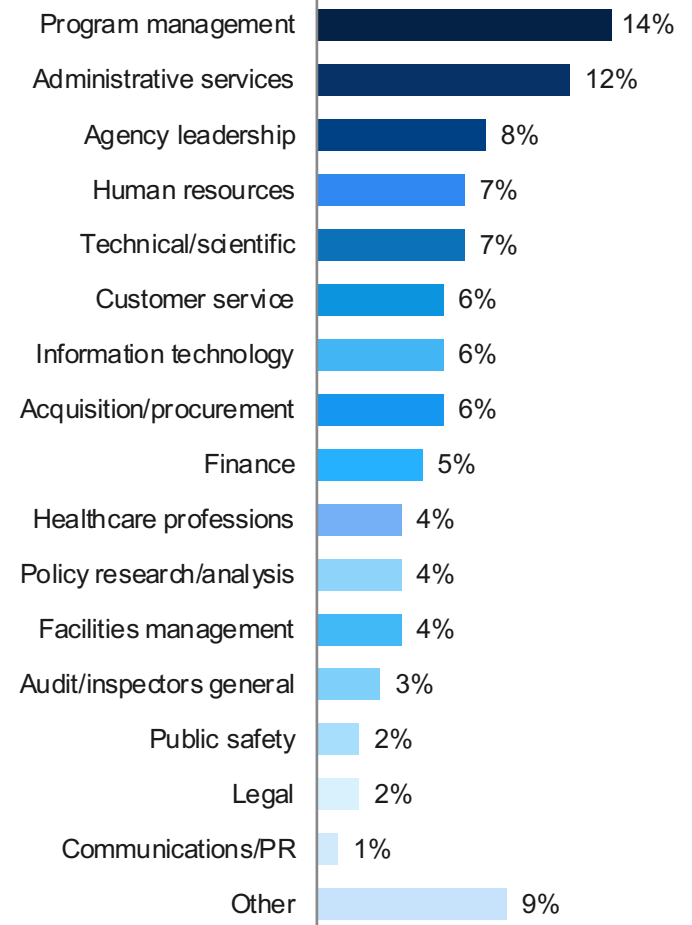
of respondents have direct oversight over one or more employees.



Most widely represented are program managers, administrative officers, and agency leadership

Departments and agencies represented

Agriculture	General Services Administration
Army	Labor
Homeland Security	Intelligence Community/ODNI
Navy	National Science Foundation
Air Force	Justice
Veterans Affairs	Social Security Administration
Treasury	Marine Corps
Housing & Urban Development	Congress
Transportation	Government Accountability Office
Interior	Education
Environmental Protection Agency	Office of Personnel Management
Health & Human Services	Small Business Administration
NASA	Nuclear Regulatory Commission
Justice	Executive Office of the President (OMB)
Transportation	Other independent agency
State	
Office of the Secretary of Defense	
Energy	
Commerce	



Percentage of respondents, n=285
Note: Percentages may not add up to 100% due to rounding

Departments and agencies are listed in order of frequency.

Respondents were asked to choose which single response best describes their job function.

Appendix

Which factors hold greatest influence over your organization's decision to pursue IT transformation? Please rank options from top to bottom by level of importance to your organization.

	Count per rank								Total	Borda count
	1	2	3	4	5	6	7	8		
Policy mandates/directives	61	33	19	29	24	29	26	29	250	1,242
Gains to productivity/output	39	32	41	31	40	27	23	17	250	1,241
Improved safety/security	39	44	33	24	24	31	34	21	250	1,216
Better customer/citizen services	47	25	32	35	24	27	16	44	250	1,171
Opportunity to innovate mission capabilities	25	33	39	30	36	37	28	22	250	1,148
Reducing redundancies/duplication	18	37	32	34	30	31	32	36	250	1,078
Ability to leverage insights from data	16	24	23	29	36	36	43	43	250	960
Reducing obstacles to compliance	5	22	31	38	36	32	48	38	250	944
Number of respondents	250	250	250	250	250	250	250	250	-	-

Ranked by Borda count, n=250

Rankings and total scores are displayed here using the Borda count method, where each answer choice earns points based on the order in which respondents placed them. Each respondent's top answer choice receives the maximum score of n points for that respondent, where n is equal to the total number of options. Each subsequent choice receives 1 less point than the one ranked ahead of it. Unranked answer choices receive zero points.

For instance, if a respondent's ranked choices were 1) Policy mandates/directives, 2) Gains to productivity/output, and 3) Improved safety/security, those responses would receive 8, 7, and 6 points respectively. These points would be added to Borda count of each answer choice.

With 250 respondents and 8 choices, the maximum score possible for any single answer choice (i.e., if every respondent ranked it as their top outcome) is equal to 2,000 points (250 x 8).

About

Government Business Council

Government Business Council

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Learn more at www.govexec.com/insights

Report Author: Daniel Thomas



KPMG LLP

Having worked with government organizations for more than 100 years, KPMG understands how to help modernize your business operations, creating positive change that benefits government workers, citizens and communities. We bring a deep understanding of government and work hard at creating positive change that ultimately impacts the citizens of our communities. Our solutions help governments navigate their transformation journey to streamline business and operating models and services to citizens.

Many of our state and local government professionals have served within government. Combining that experience with industry-leading tools and modern approaches, our practice is able to provide the right solutions for the unique environment in which governments operate. In addition, because the professionals in our government practice work extensively with government organizations, they understand the importance of public accountability.

Learn more at www.kpmg.com/us/slg.

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