



A conversation with Deloitte Federal Civilian Sector leader Diane Murray—her view on the major challenges and opportunities facing federal civilian agencies in 2017

How would you characterize the changes federal civilian agencies can expect to see in 2017?

Civilian government agencies are facing times of change and transformation. Of course, much of the attention in Washington now is focused on the changes that the new Trump administration will bring. Well over half of current Senior Executive Service (SES) members have not experienced a presidential transition—so there is a degree of nervousness. Civilian agencies in particular can expect a focus on deregulation and a more pro-business environment. But beyond the changes the new administration will drive, I believe there is a tsunami of change with potential to dramatically re-shape government regardless of who is sitting in the White House. These disruptive forces are reshaping the markets that federal agencies regulate, serve, support and engage. Digitization, cognitive technologies, the explosion of data, new business models and regulatory reform all threaten to shake up government's "business as usual".

At the same time, they also offer opportunities for innovation. So I see 2017 as a year of challenges and opportunities driven by unprecedented forces inside and outside of government.

What are the major shifts or transformations that should be on every government leader's radar?

The diversity of agencies, constituencies and missions makes it difficult to generalize. But I would suggest four major shifts that I think will be impacting agencies across the board.

The first is reducing regulatory burden on business. Trump's proposed "one in, two out" for regulating businesses could transform the way new regulations are considered and deployed. This type of initiative would require agencies to take a fresh look at their mission and priorities and quickly craft a game plan for how to be most effective in an environment where policies and regulations may see the most dramatic shifts in decades.

2017 Federal Civilian Agencies Outlook

Deloitte Consulting LLP is focused on three key sectors with the federal government market: Defense & National Security, Health, and Civilian. Diane Murray, a Deloitte principal and the Federal Civilian Sector Leader, sees four major shifts that will impact civilian agencies in 2017.

- Regulation reform
- IT Modernization
- Insights from Analytics
- Automation

With “digital everything” being the norm, I believe IT modernization will be at the forefront of most agencies’ agendas. And modernization goes way beyond the need to upgrade antiquated systems to perform existing business cheaper, better, and faster. The availability of cloud and platforms that offer everything as a service enables agencies to be more agile and efficient at delivering technology to their constituents. These trends and others will fundamentally change the way agencies look at IT investments. Take blockchain, for example. If adopted widely, it will transform how commerce is done and the interactions between governments, businesses and citizens. In fact, just last week a CFO client wanted to discuss how blockchain can streamline how they disperse benefits to citizens. As this one example shows, digitization is rapidly impacting both backroom and mission-facing activities for agencies, and redefining the role of the IT department.

I am also seeing an increasing need for government agencies to use insights from analytics to improve decision making and mission performance. Our clients have unprecedented volumes of data at their disposal, and simpler ways to access it. The emergence of user-friendly tools will enable government employees without extensive data knowledge to ask questions, test hypotheses and gain meaningful insights from data.

This ability is an important shift that will have impact across civilian agencies if they can mine the insights wisely. For example, I have several clients who are capturing real-time data on customer experience in order to improve service without adding additional labor costs or expensive technology. And using analytics is an imperative to promote regulatory compliance. Increasingly, we will see agencies using data in new ways to predict problems and to focus rules and enforcement where they have the most impact without creating undue burden. The recent advances in robotics, machine learning and sensor technologies point to the final shift I’d like to discuss—automation.

I’m seeing an increased interest in automating highly repetitive tasks to improve efficiencies and free up workers for more value-added activities. Given tight budget constraints and the inability to hire more workers, the federal government will turn to automation so they can focus more of their resources on mission-centric work. Perhaps most complex about this automation shift, particularly within the government, is the impact to the workforce. The government will experience progress-limiting shortages of some skill sets, combined with displaced workers who lack the skills to support new technologies and business models. I expect civilian sector agencies to be on the front lines of responding to these concerns.

How can federal civilian agencies best prepare for the challenges that may be ahead?

Again, a lot depends on the specific challenges and opportunities an agency is facing. These disruptive times call for organizations to be prepared to honestly reassess their priorities in the face of budget reductions, deregulation or significant changes in the behavior or needs of their constituents. And be prepared to pivot quickly based on changing circumstances. I also think it will be important for all agencies to avoid thinking too narrowly about their mission. They should consider and understand the larger ecosystem in

which they participate—including state and local government, other federal agencies, and the business community. Big problems call for big solutions. Those leaders that learn to work beyond the walls of their agency and within the broader ecosystem will be well positioned for the change ahead.

But that’s not enough. As the population becomes more digital-savvy, civilian agencies must keep pace with the technology curve. The CTO—a relatively recent position in the government—will be front and center to drive innovation and effect change. Ultimately, the best way to cope with a dynamic environment is to be agile. Becoming an agile organization is a tall order for many agencies. But agility begins with a leader that has the foresight, willingness and ability to navigate change—and having the right people working alongside.

So my final word of advice for agencies is to invest in your leadership team. I was recently having a conversation with a CIO who was struggling to keep ahead of technology innovations while running the day-to-day operations. I advised her to hire and empower a strong CTO. While budgets, political environments and priorities may change, the need for strong talent with clear responsibilities never does. Having strong leaders is more important than ever given the major shifts we’ve talked about.

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