

October 24, 2011

IT Innovation in the Federal Government

ACT-IAC 2011 Executive Leadership Conference

Presented by:

Rob Atkinson, President, ITIF



The Information Technology and Innovation Foundation (ITIF) is a Washington, D.C.-based think tank at the cutting edge of designing innovation policies and exploring how advances in information technology will create new opportunities to boost economic growth and improve quality of life. ITIF focuses on:

- Innovation processes, policy, and metrics
- E-commerce, e-government, e-voting, e-health
- IT and economic productivity
- Science policy related to economic growth
- Innovation and trade policy

Today's Presentation

1

What's the Challenge and Why Innovation is an Answer

2

What is Innovation?

3

Where's the Federal Government?

4

Why is Innovation So Difficult?

5

What are the Federal Opportunities?

6

Leading Innovation

- What's the Challenge?



- What's the Challenge?



■ What's the Answer? Innovation

Innovation Can Cut Costs

- The Tech CEO Council estimates that better use of IT could save the federal government over \$1 trillion by 2020

Innovation Can Boost Citizen Satisfaction

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Leading Innovation

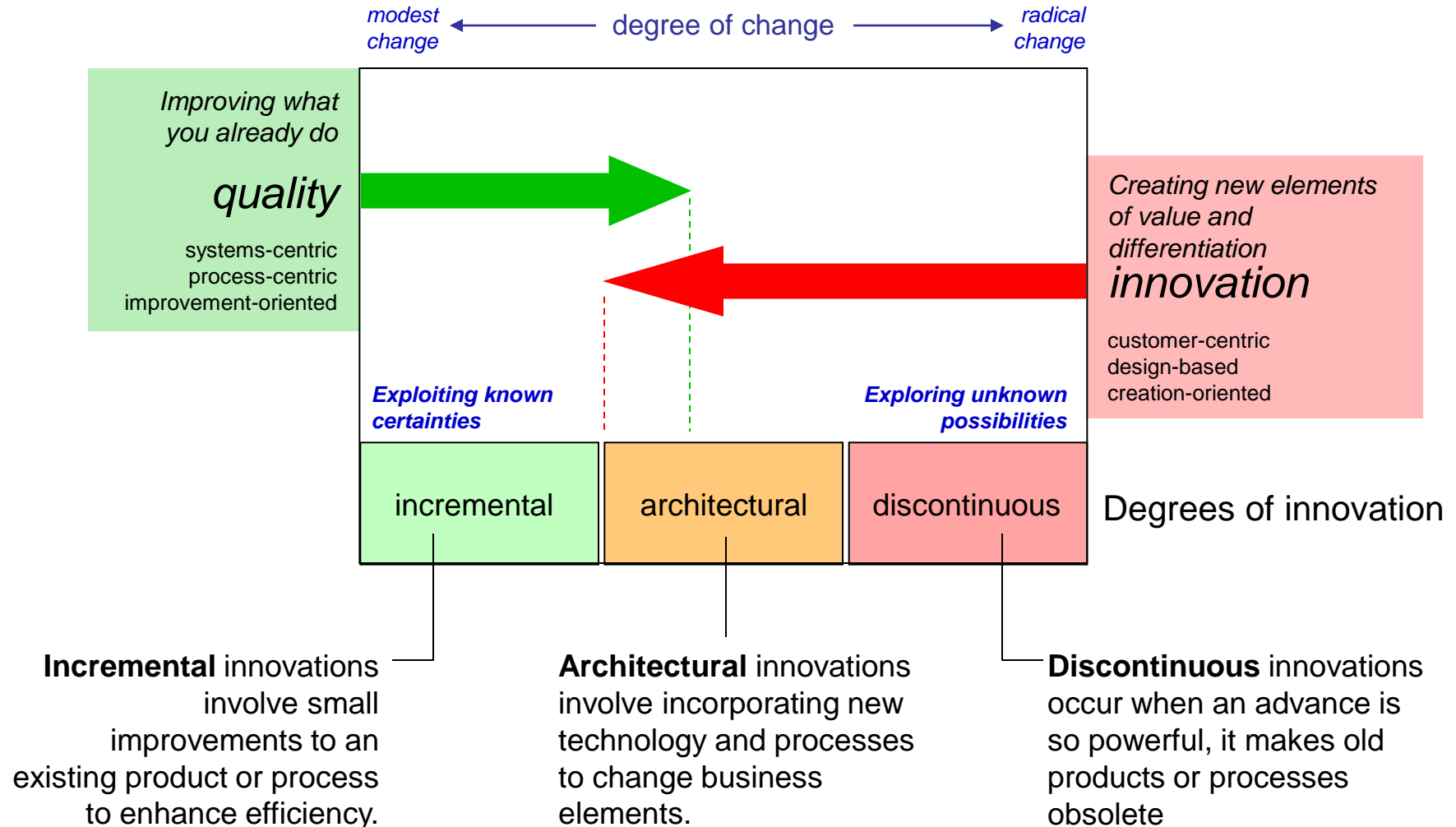
- What is Innovation?

To innovate is...
to challenge and change
the status quo to
enhance the customer's
experience and bring
new value to them.




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■ Innovation is Different from Quality—and Comes in Different Degrees




■ There are Ten Types of Innovation

1. Business model 
how the enterprise makes money

2. Networking
enterprise's structure/
value chain


5. Product performance 
basic features, performance and functionality

6. Product system
extended system that surrounds an offering 

7. Service
how you service your customers 

Finance

Process.

Offering

Delivery

Business
model

Networking

Enabling
process

Core
process

Service/prod.
performance

Svc/prod
system

Service

Channel

Brand

Customer
experience

3. Enabling process
assembled capabilities


4. Core process
proprietary processes that add value





8. Channel
how you connect your offerings
to your customers



9. Brand
how you express your offering's
benefit to customers

10. Customer experience
how you create an overall
experience for customers



“Ten types of Innovation” by Larry Keeley/Doblin Inc.

■ What Are the Consequences of Not Innovating?

1. Failure to meet rising customer expectations.
2. Risk of losing the best talent.
3. Risk of losing new revenue opportunities.
4. Risk of getting “Baumol’s Disease” (low productivity, high costs).

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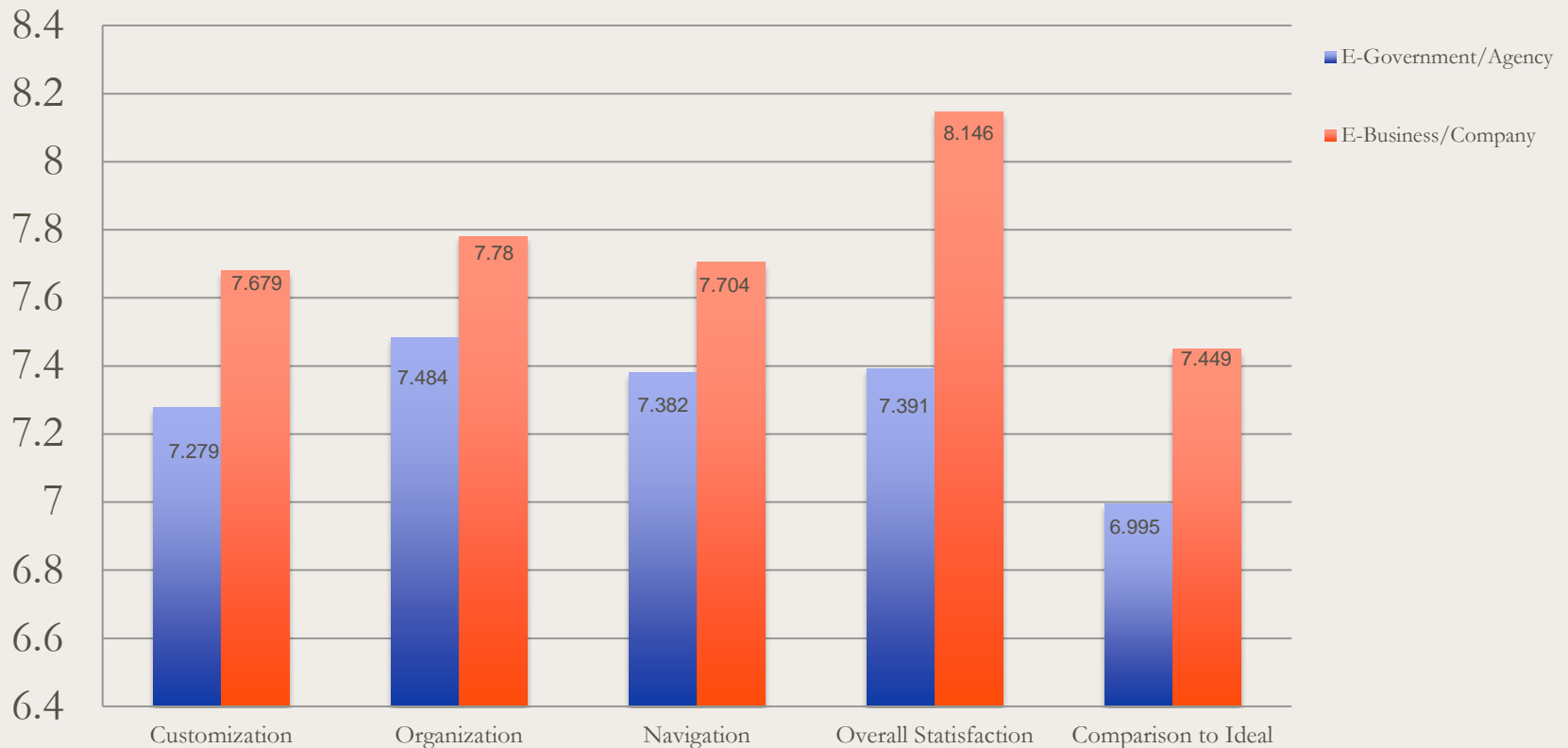
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Leading Innovation

■ Federal IT Challenges

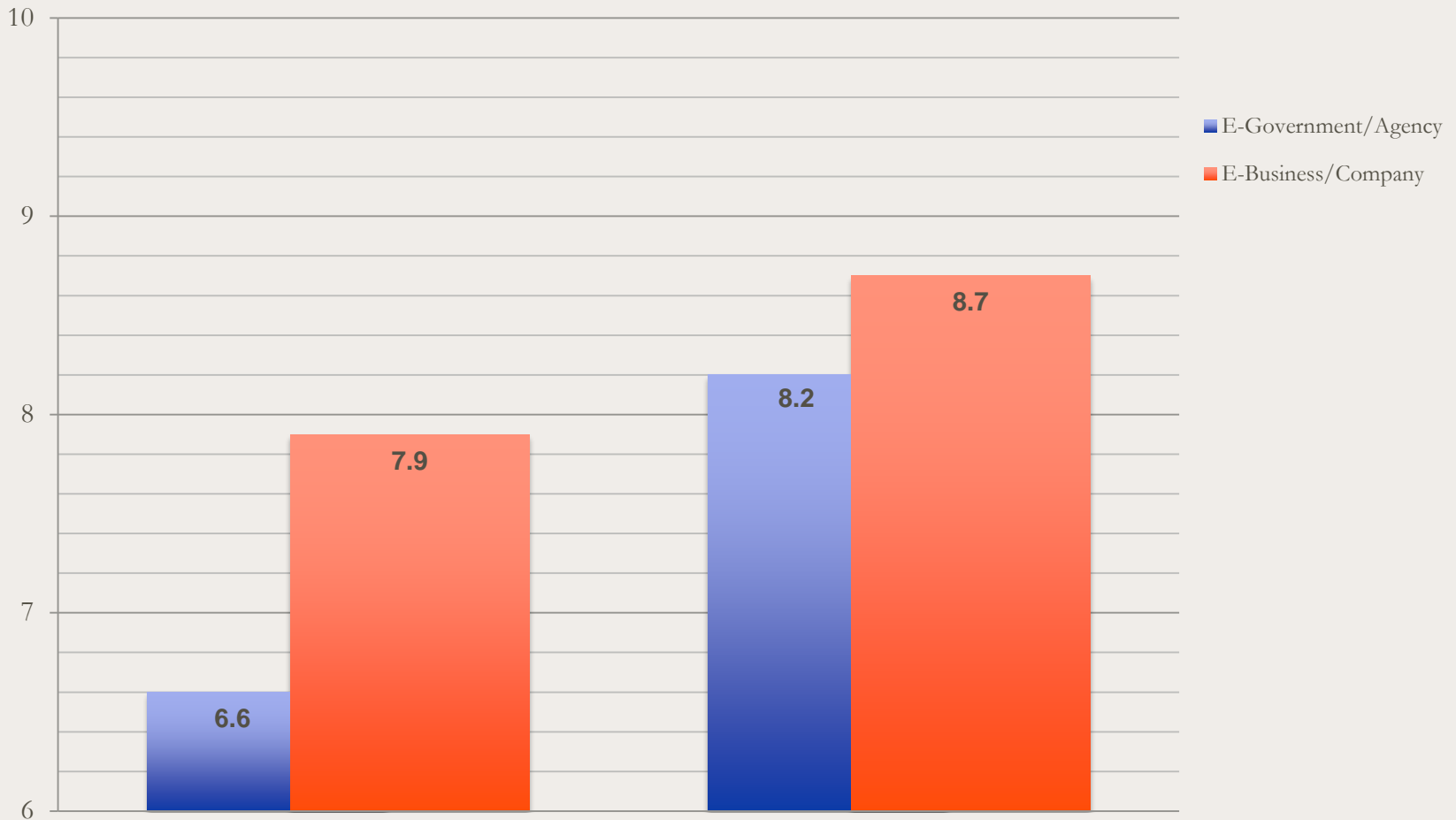
- Customer-facing challenges:
 - Too many web sites still hard to use
 - Too many web sites still organized around agencies and bureaus

■ Users Rate E-gov Websites Lower Than E-commerce Sites



Source: Forrest V. Morgeson III and Sunil Mithas. *Does E-Government Measure Up to E-Business? Comparing End User Perceptions of U.S. Federal Government and E-Business Web Sites*. (Public Administration Review, 2009).

■ The Range of Satisfaction is Higher for E-gov Sites



Source: Forrest V. Morgeson III and Sunil Mithas. *Does E-Government Measure Up to E-Business? Comparing End User Perceptions of U.S. Federal Government and E-Business Web Sites*. (Public Administration Review, 2009).

■ Federal IT Challenges

■ Customer-facing challenges:

- Too many web sites still hard to use
- Too many web sites still organized around agencies and bureaus

■ Internal Challenges:

- Considerable duplication of applications instead of widespread shared services
- Gap (growing?) between commercial best practice and current government practice (e.g. slow to move to the cloud).

■ Federal IT Challenges

■ Customer-facing challenges:

- Too many web sites still hard to use
- Too many web sites still organized around agencies and bureaus

■ Internal Challenges:

- Considerable duplication of applications instead of widespread shared services
- Gap (growing?) between commercial best practice and current government practice (e.g. slow to move to the cloud).

■ Overall Challenge:

- **No systemic focus on driving automation and productivity**

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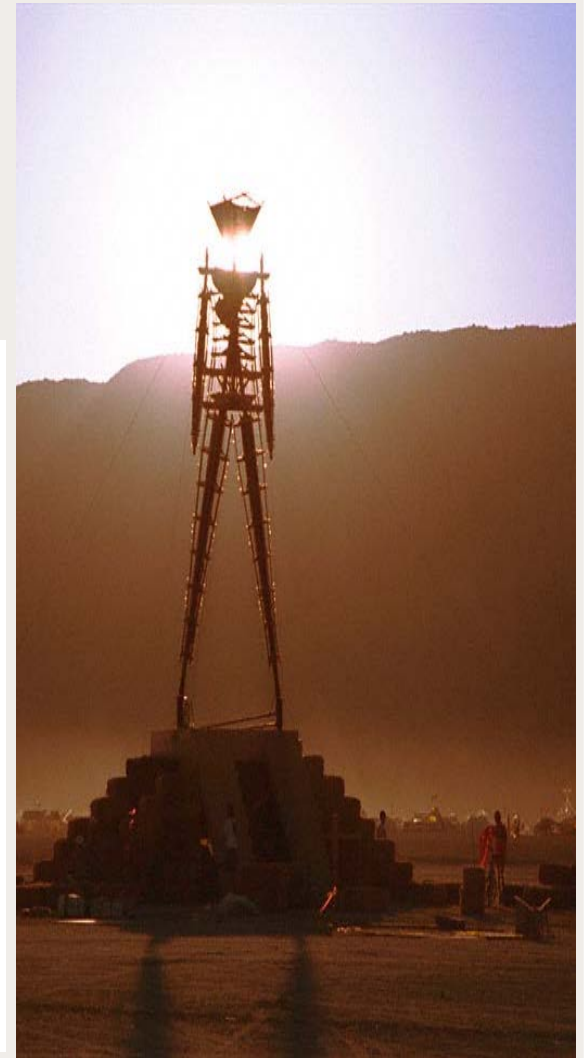
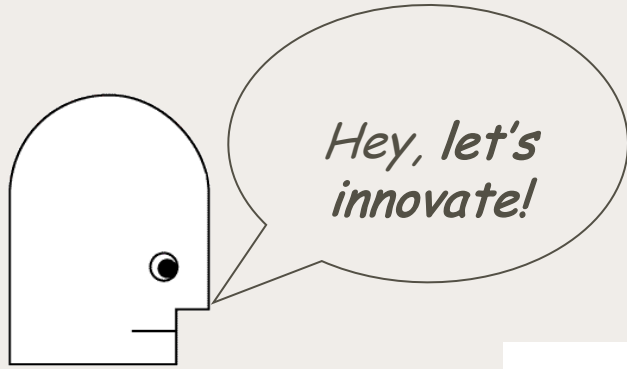
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What are the Federal Opportunities?

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Leading Innovation

■ Innovation is Challenging, Rare, and Often Frightening



■ Innovation Isn't Easy – Some Puzzles to Ponder

Why didn't IBM keep the operating system?

Why didn't Microsoft create the browser?

Why didn't AT&T create AOL?

Why didn't American Airlines create Southwest?

Why didn't Citibank create PayPal?

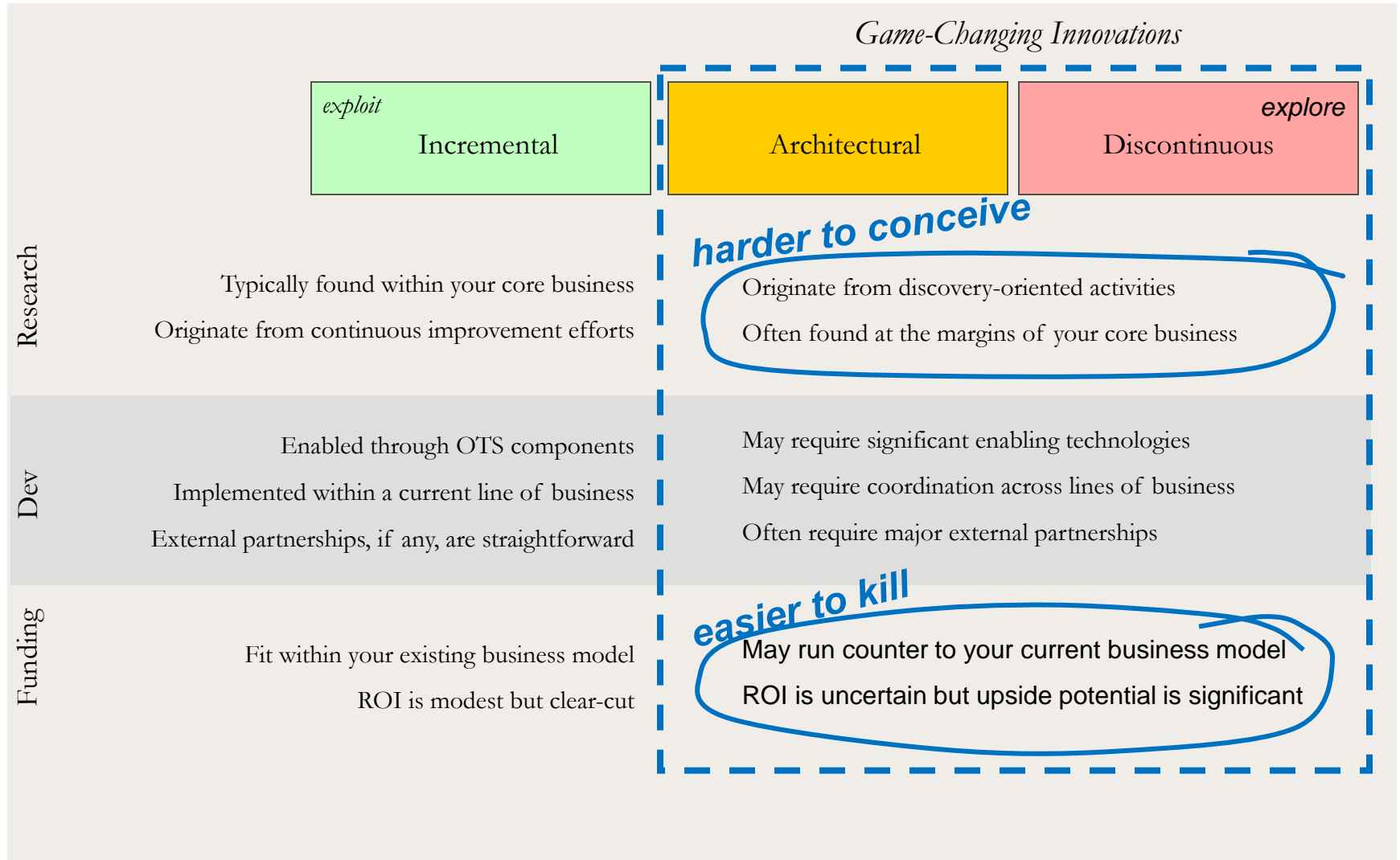
Why didn't Blockbuster create Netflix?

Why didn't Sam Goody's create iTunes?

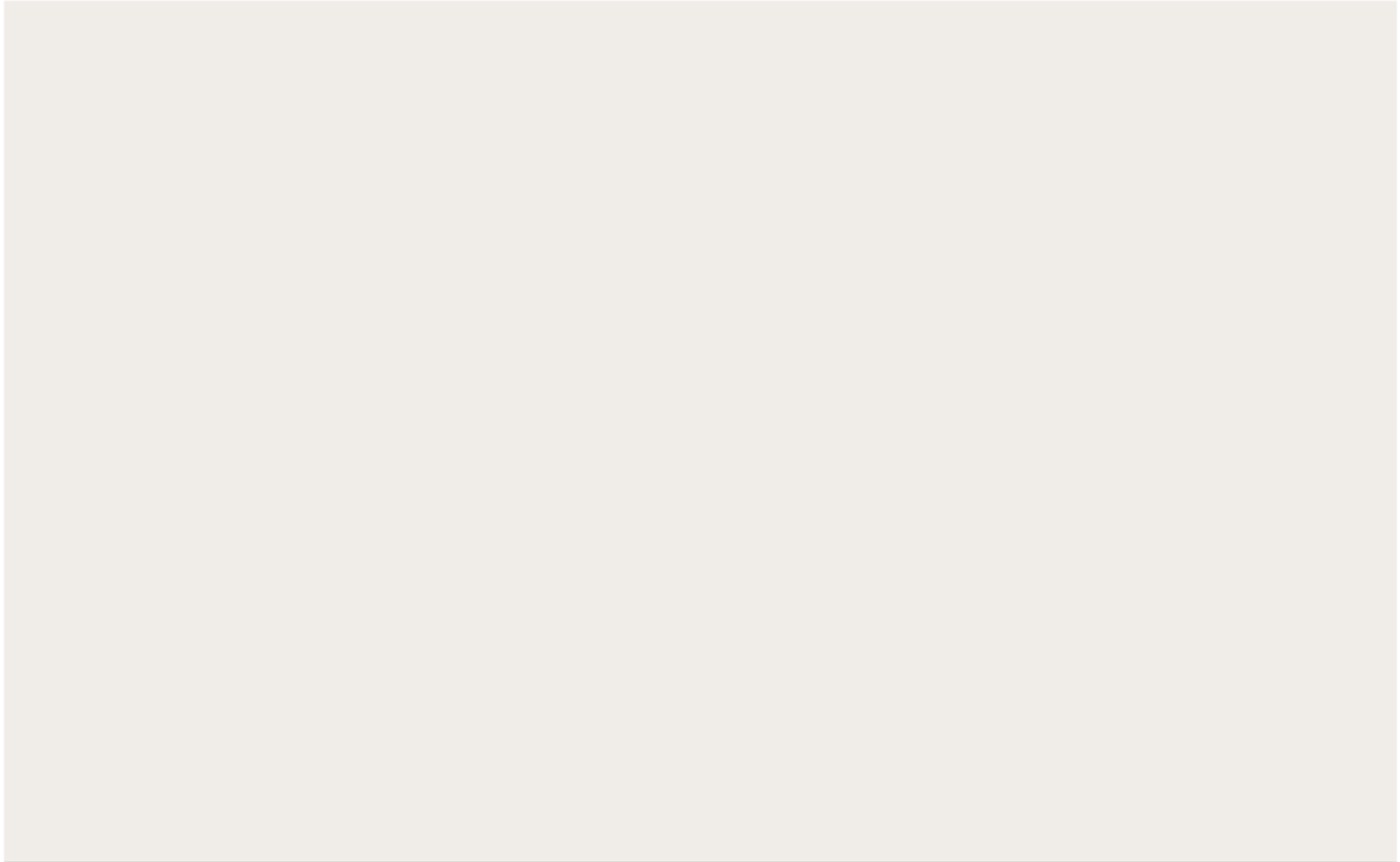


- *It takes effort to stand in the future and see new possibilities.*
- *Just because you're not willing to disrupt your own business, doesn't mean someone else isn't willing to do it for you.*

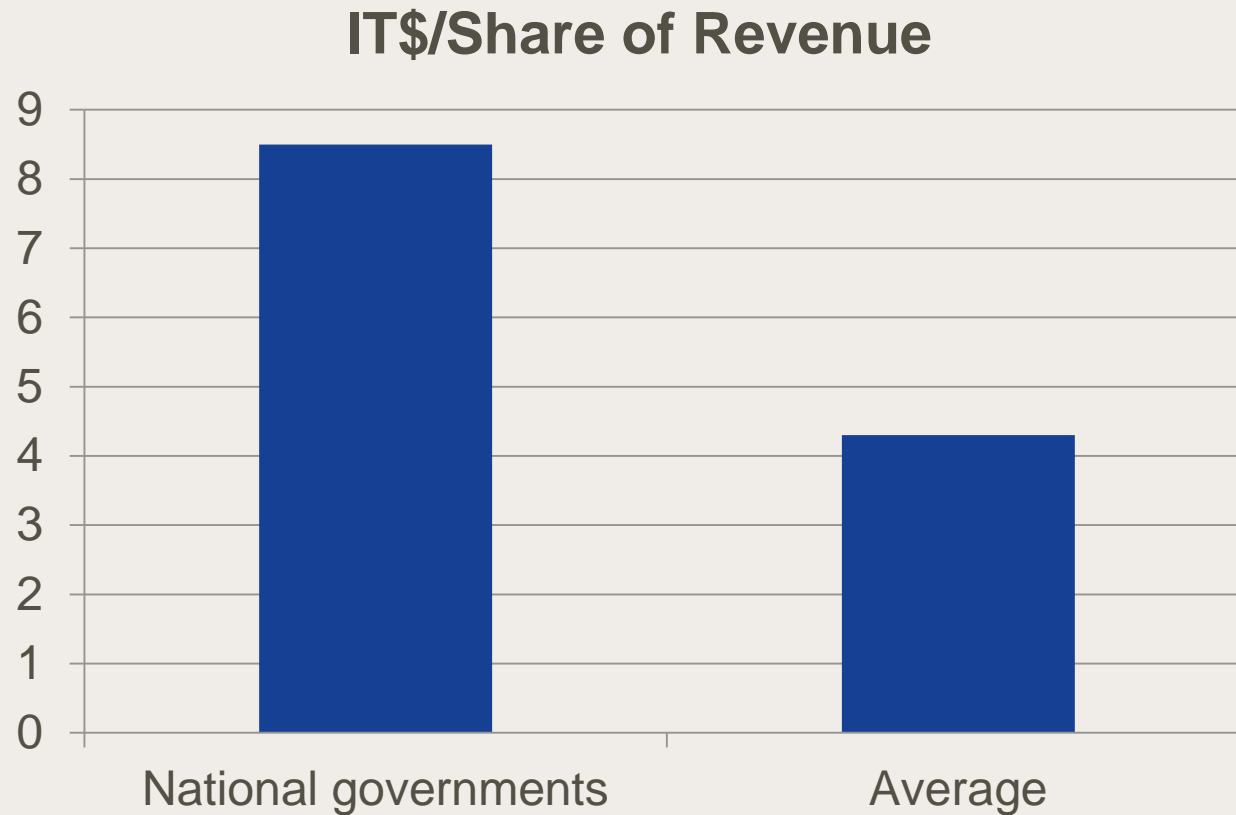
■ The Innovator's Challenge is to *Exploit* and *Explore* Simultaneously



- IT Investment is Necessary

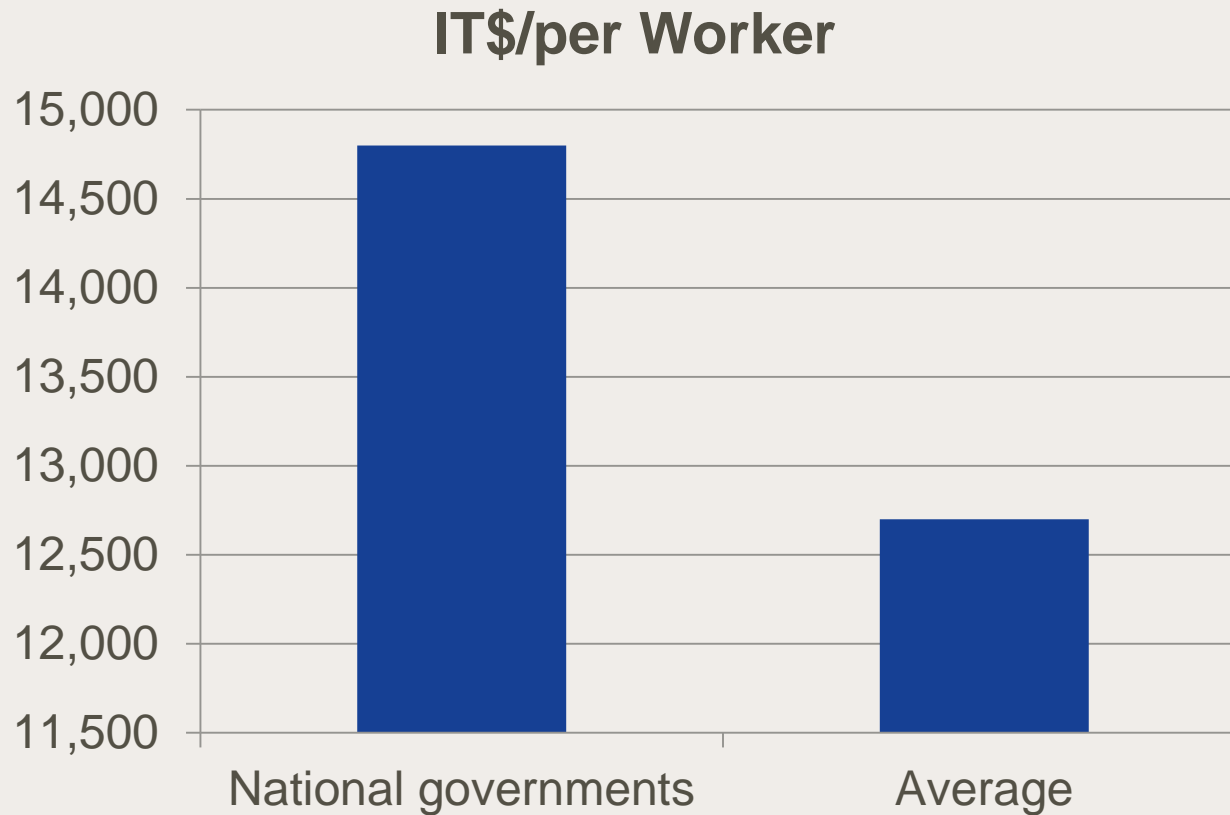


- National Governments Invest More in IT



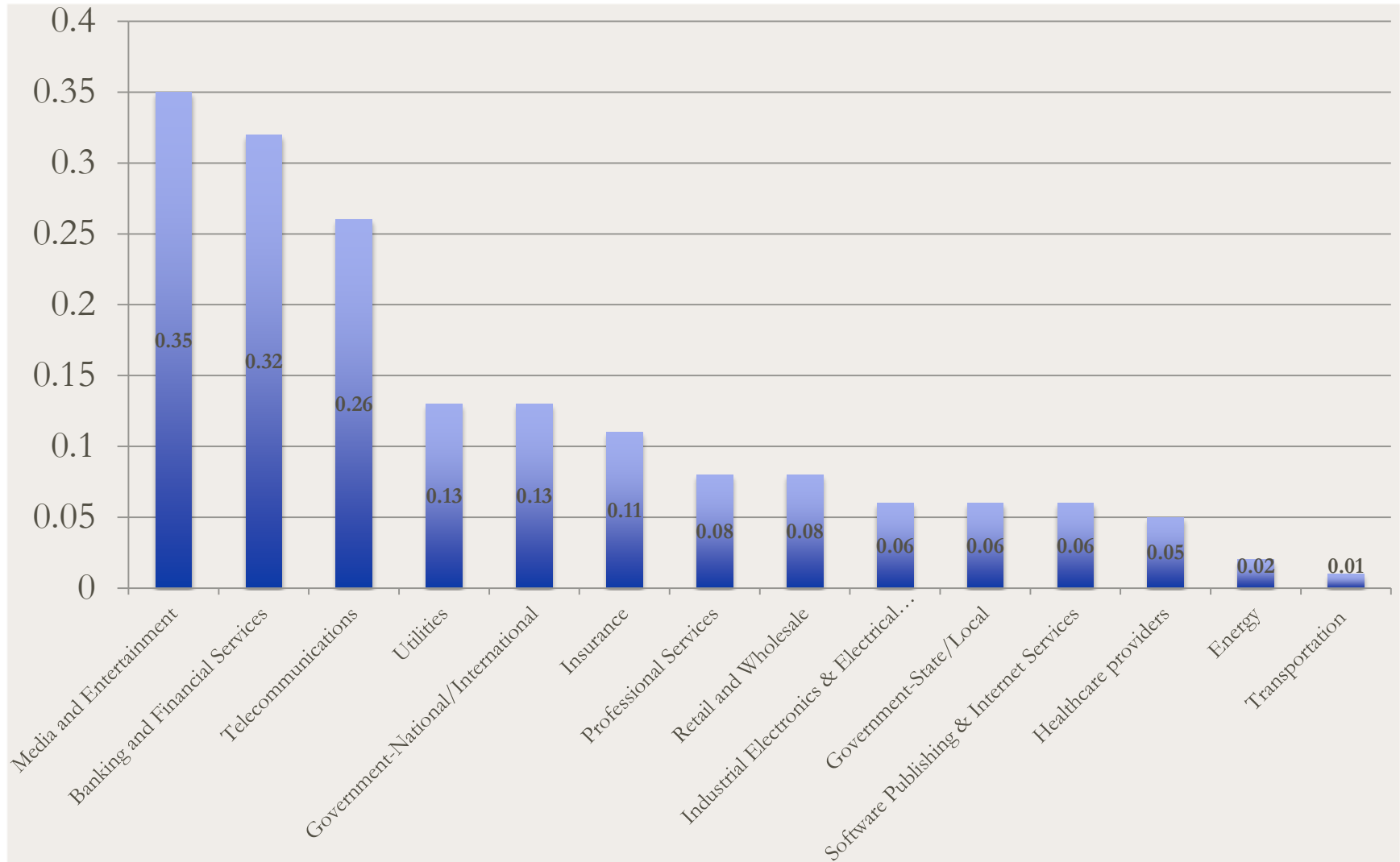
Source: Gartner, 2011

■ National Governments Invest More in IT



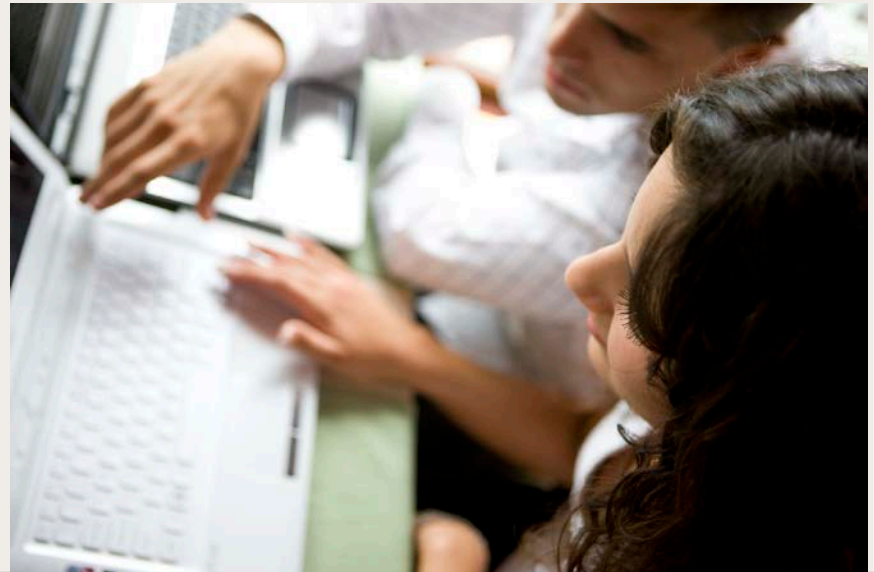
Source: Gartner, 2011

■ Installed TB per Employee



■ But Money is Not Enough

- Firms that adopt *digital organization* tenets and simultaneously invest more in IT have disproportionately higher performance than firms that do not.
- MIT's Erik Brynjolfsson: “Something unique happens when human capital and other workplace practices are combined with technology.”



■ Organizational Change is Also Required

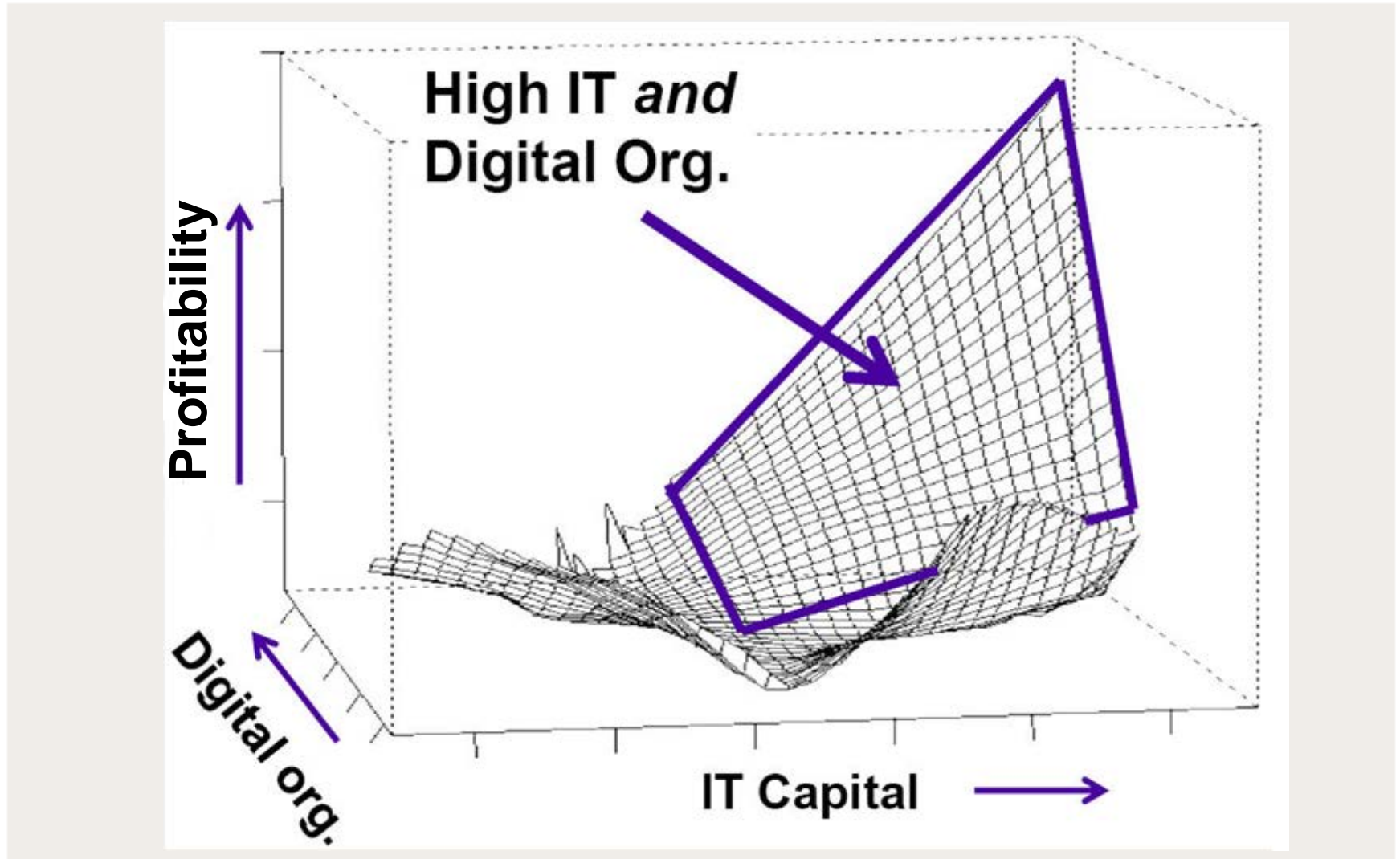
A distinct corporate culture and organizational practices are found in most corporations that make extensive use of IT and the Internet. They:

1. Move from paper-based to digital business processes
2. Empower front line service personnel
3. Foster open information access
4. Link incentives to performance
5. Maintain focus and communicate goals
6. Hire the best people
7. Invest in human capital

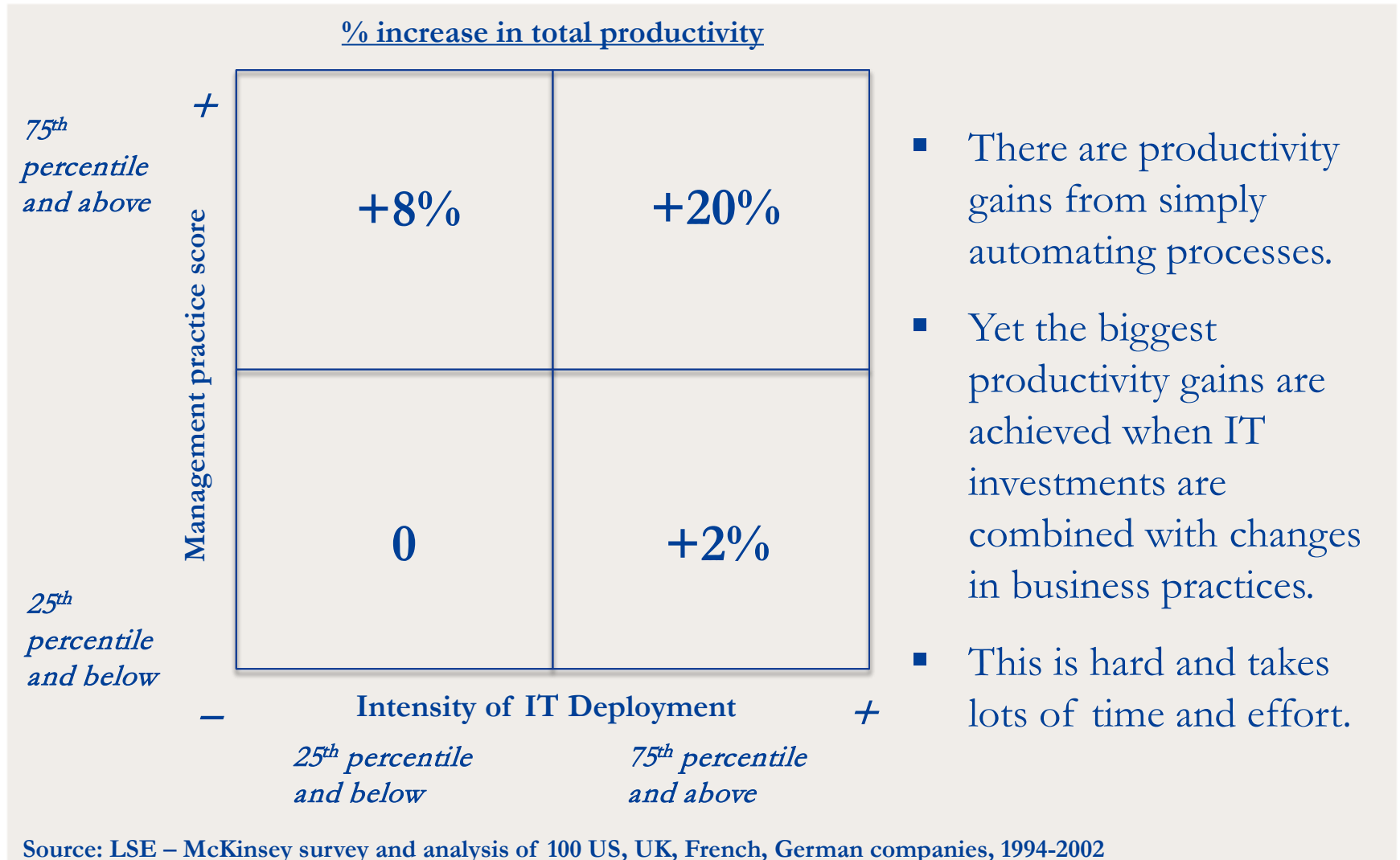


Erik Brynjolffson

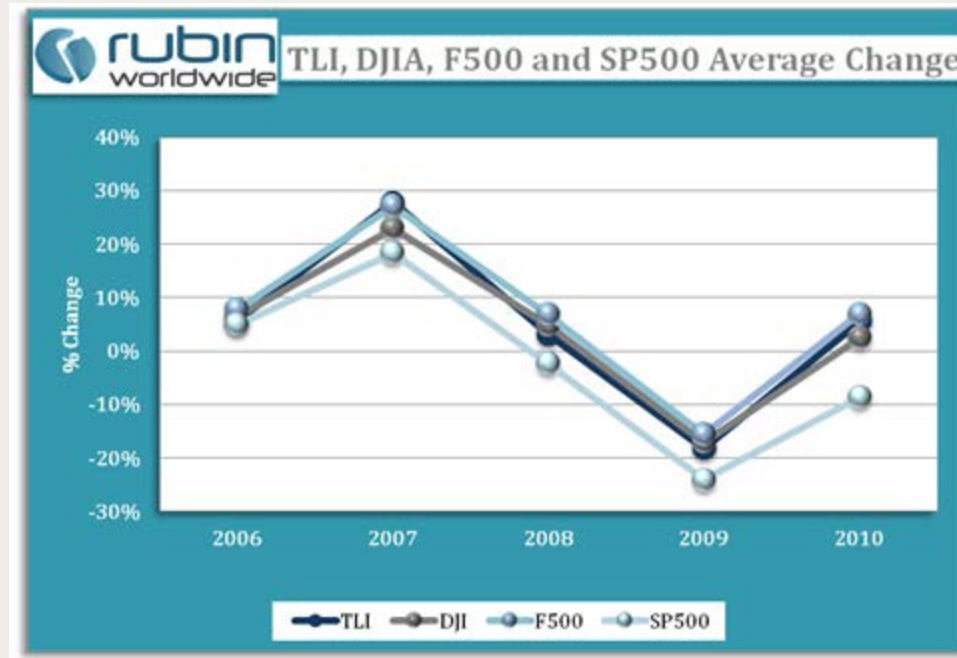
- Higher Profitability Accrues to Firms That Get Both Right



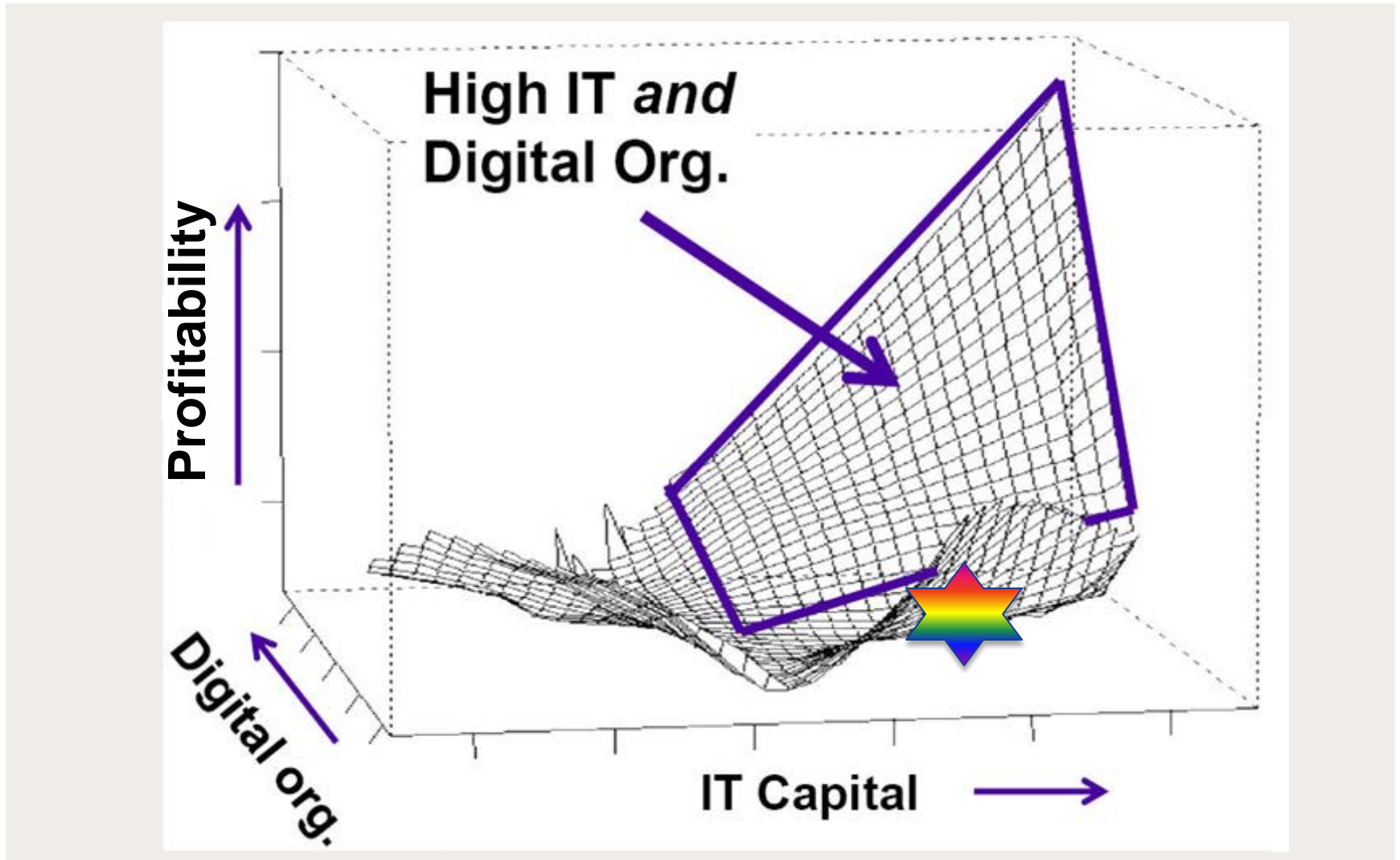
■ McKinsey Finds the Same Result



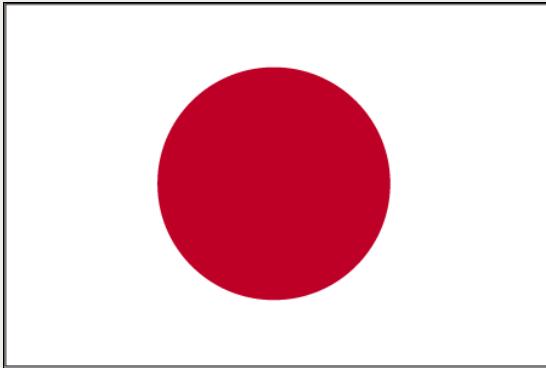
■ As Does Rubin Worldwide



- So Where is the Federal Government?



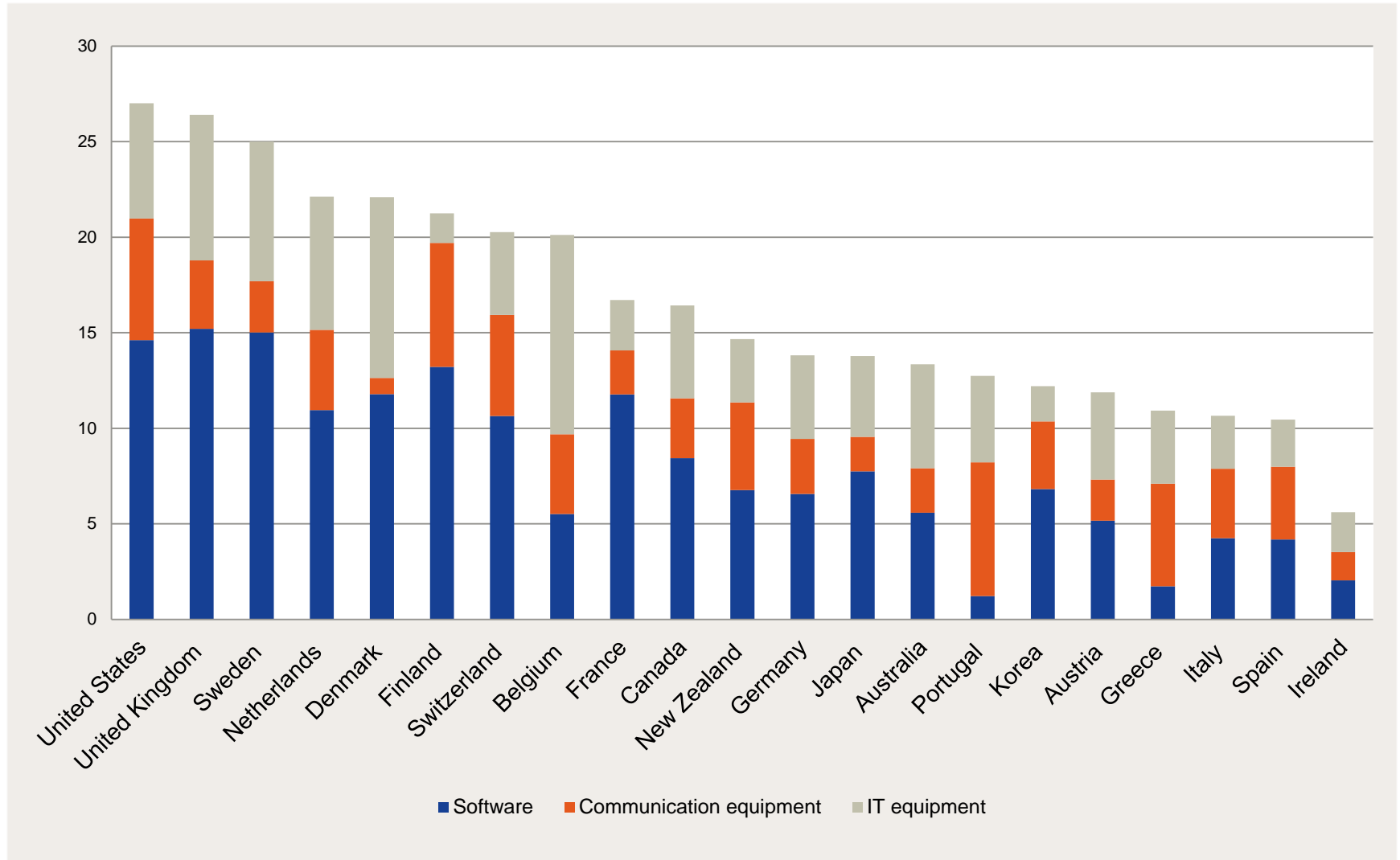
- USG = Japanese Enterprises?



=



IT investment by asset in OECD countries, 2007, percent of non-residential capital formation



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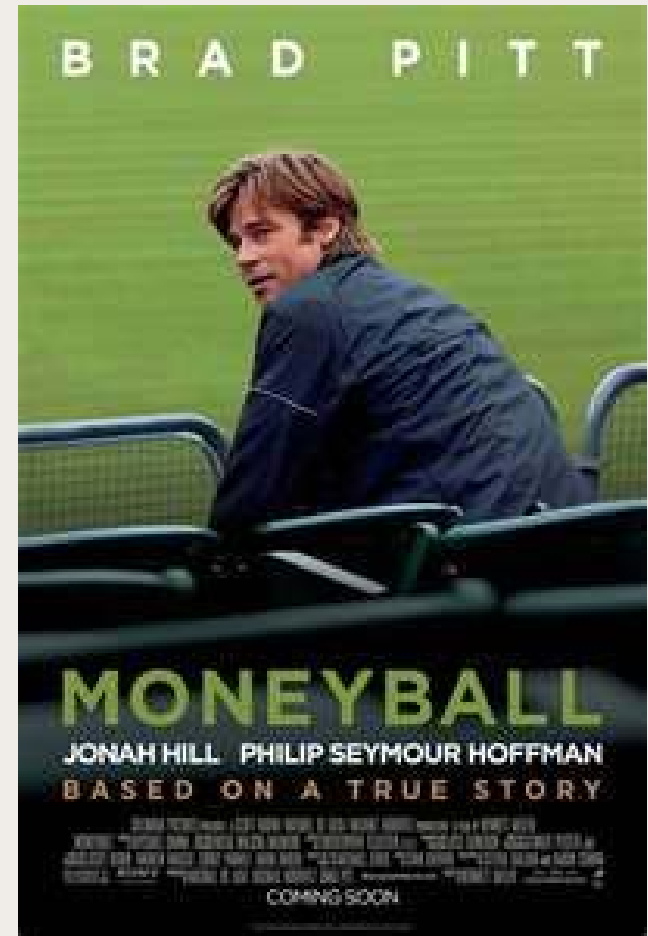
What are the Federal Opportunities?

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Leading Innovation

■ Opportunities

Data-driven policy



■ Opportunities

Data-driven policy

IT platforms



■ Opportunities

Data-driven policy

IT platforms

Partnerships



■ Partner with Private Sector:

Partnership

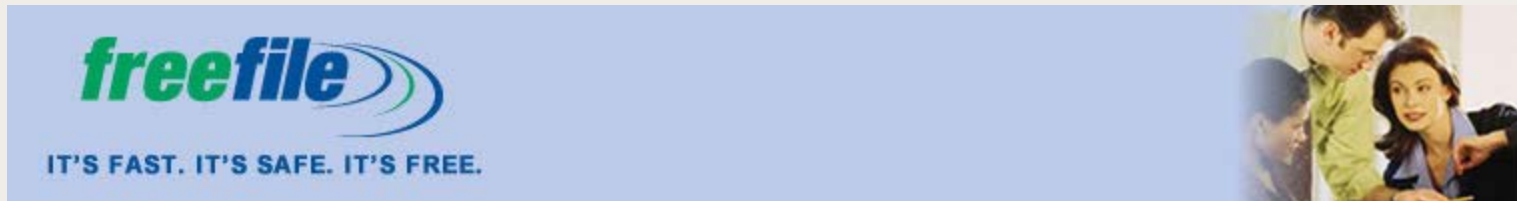
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IT'S FAST. IT'S SAFE. IT'S FREE.

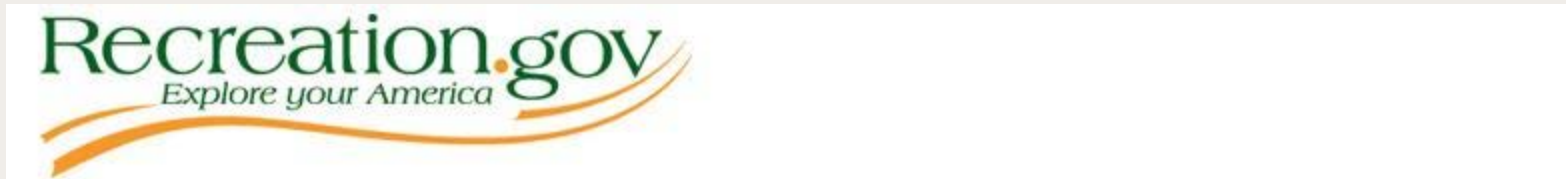


■ Partner with private sector:

Partnership



Go it alone



■ Opportunities

Data-driven policy

IT platforms

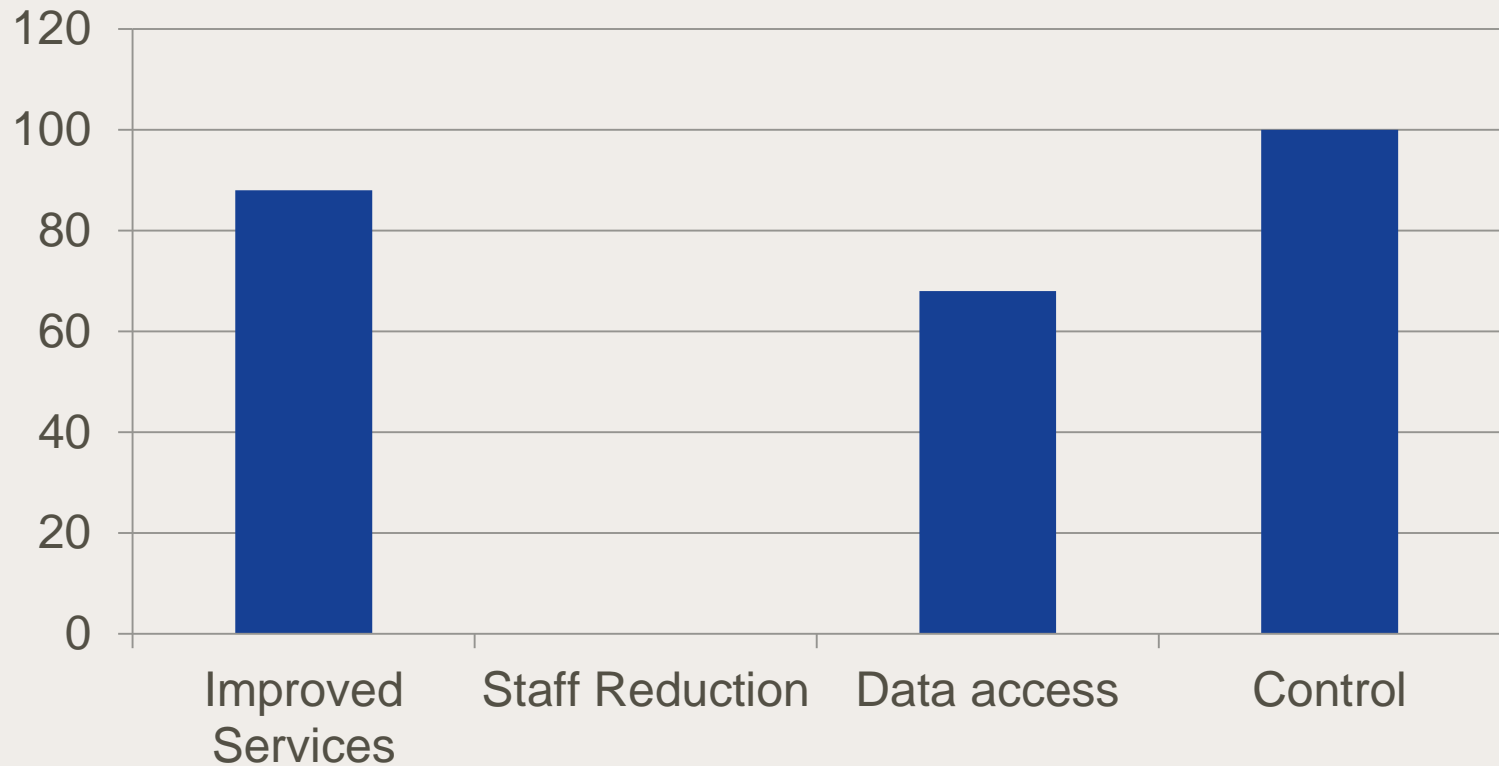
Partnerships

Automation



■ IT Impacts on Public Sector Capabilities

(positive – negative impacts)



Source: Anderson, Henriksen, Medaglia, Danzinger, Sannarnes, and Enemaerke. *Fads and Facts of E-Government: A Review of the Impacts of E-government (2003-2009)*, International Journal of Public Administration, 2010

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■ What's Different About this New Management Style?

2000s leadership style

- Rarely talk about innovation
- No innovation definition or metrics
- No leadership time spent on innovation
- Leadership style is directive: “Make it happen”

The new leadership paradigm

- Speak candidly about innovation challenges
- Clear definition of risks and rewards
- Leaders spend hands-on time
- Inspiration and collaboration: “We can do it”

■ Managers Must Lead Innovation Differently



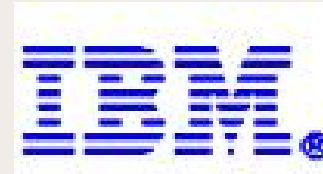
Created a strategic design capability in every BU

Requires that 50% of new innovations come from outside the company



Measures BU leaders on “courage” to drive out-year revenue growth

Uses Six Sigma (quality) savings to fund innovation investments



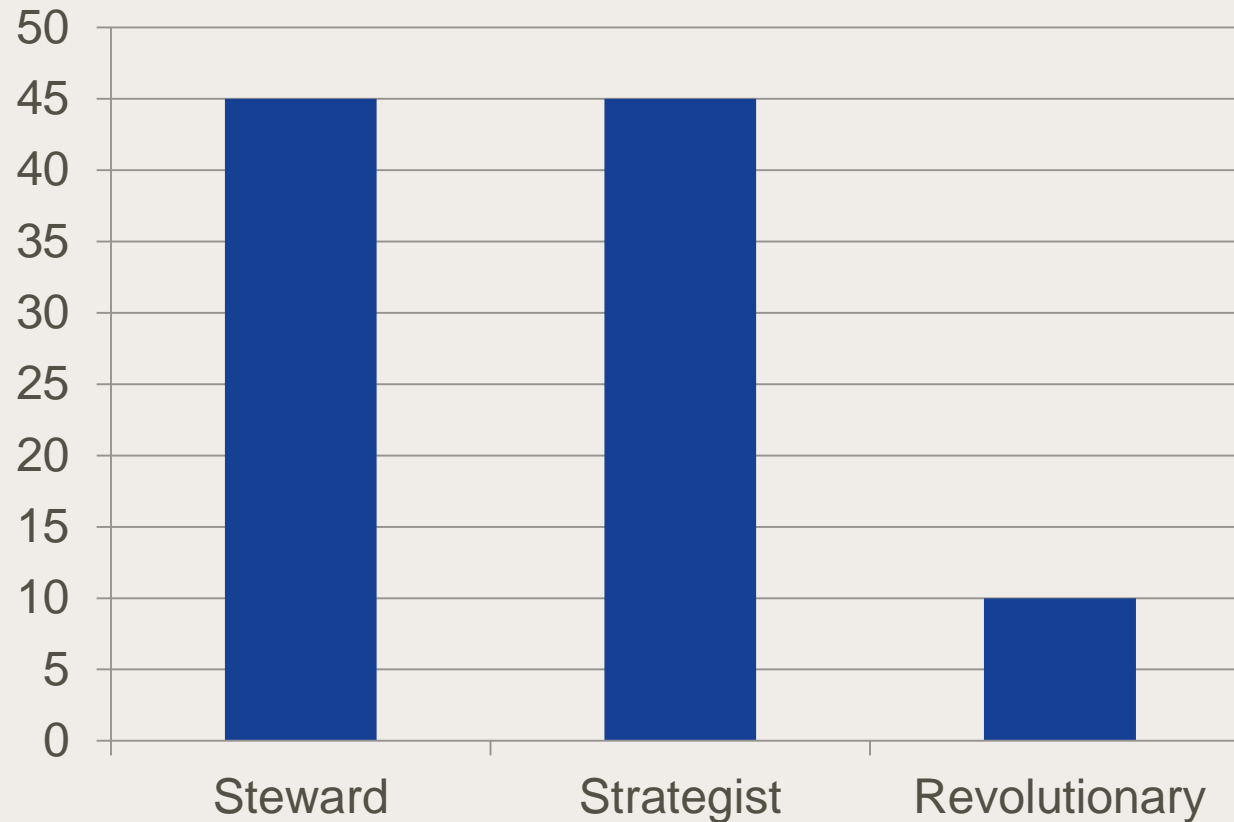
Implemented a Run/Grow/Transform strategy

■ Poll Question:

What Should the Role of Federal CIOs Be?

1. Steward
2. Strategist
3. Revolutionary

■ IT Executive's View of the Role of Their CIO



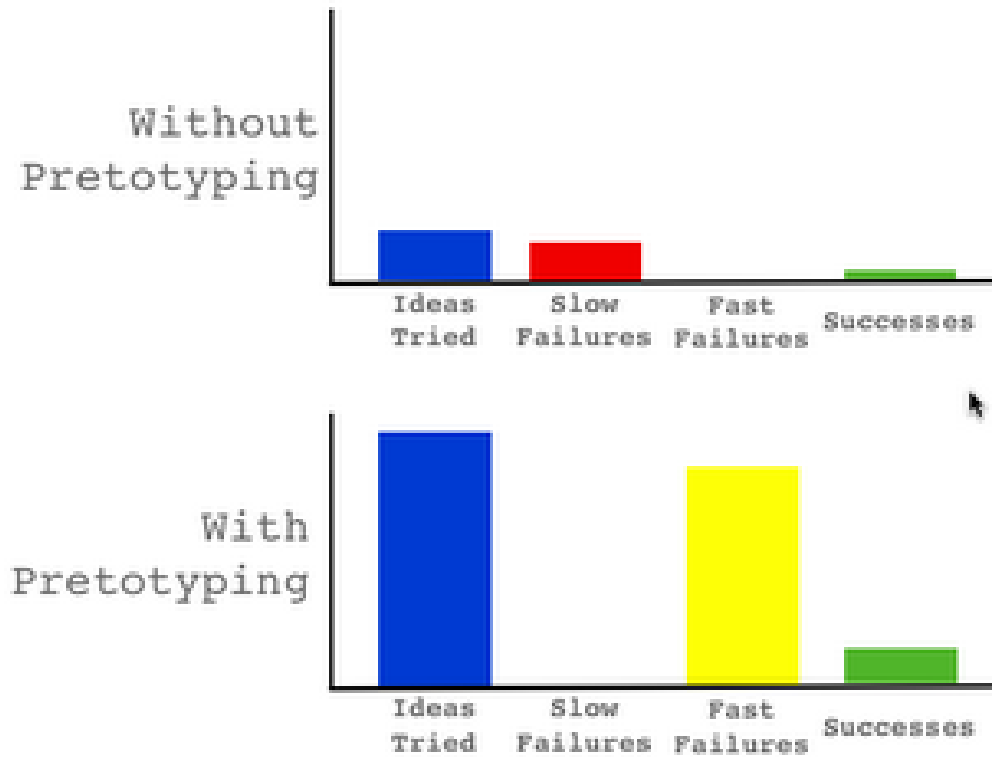
Deloitte: September, 2011 (survey of 1000 IT executives: How do you view your CIO?)

- Can the Government Learn to Fail Fast?



■ Companies Can

The Prototyping Effect



Alberto Savoia - asavoia@google.com

“We have to strike the right balance between being in touch and being in control. The irony is that the more in control we are, the more out of touch we become.”

- A.G. Lafley, CEO Proctor and Gamble

■ Striking the Right Balance

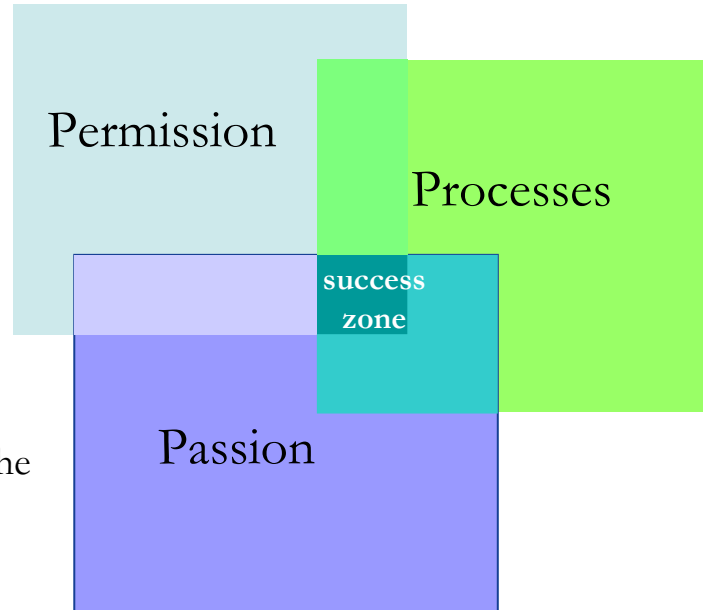
Successful innovation requires marrying Passion, Permission, and Protocols

Senior management:

- Declares an innovation intent
- Sets conditions for innovation

Your people:

- Have the passion, they just need the proper channels to unleash it.



The organization:

- Establishes processes to support innovation.

Thank You

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