

ISSUE 70 SPRING 2013

The Digital Government

How government agencies can use information and communications technology to increase efficiency—and better people's lives.

BY DAVID HOVENDEN AND CHRIS BARTLETT

REPRINT 00155

This article was originally published by Booz & Company.



strategy&
Formerly Booz & Company

The Digital Government

How government agencies can use information and communications technology to increase efficiency—and better people’s lives.

by David Hovenden and
Chris Bartlett

For the last decade, advocates of government reform around the world have bet on the promise of information and communications technology (ICT). The availability of new digital tools and strategies would strengthen connections among various government agencies and, it was hoped, enable governments to improve their services, increase efficiency, boost economic growth, and eliminate red tape. But then came the Great Recession, and policymakers were forced to focus their attention on managing the financial crisis.

As a result, too few governments have reaped the full benefits of digitization. Yet in the not-too-distant future, integrated ICT will not just be “nice to have” in the public sector; it will be a prerequisite for keeping the promises that governments have made. National, state, and local governments alike face a true challenge: They must maintain and improve opportunities for their citizens and business interests as fiscal pressures mount, demographic shifts place greater burdens on traditional services, and public sentiment in-

creases for them to be more transparent in their policy and investment decisions.

Digitization can help governments meet this challenge. Just as it has transformed business enterprises, digitization can enable governments to aggregate their capabilities across agency boundaries and orchestrate the most cost-effective solutions, whether public or private, to meet their citizens’ needs. Admittedly, however, enabling a digital government presents obstacles that companies don’t typically face. For example, most chief executives have much greater authority to make strategic decisions and build the capabilities needed to carry them out than do government officials. And governments must operate within the constraints of the current political agenda, and their time frame for implementing transformational change is limited by the election cycle.

Typically, each individual government agency—whether it be treasury, defense, education, or hu-

man services—plans, buys, and manages its own ICT systems. The agency builds the full set of end-to-end services that it needs, and critical investments are often deployed redundantly throughout branches of the government. Attempts to integrate updates across the board usually stagnate—or worse, they are actively stifled. The list of stakeholders, constituents, and entrenched interests at most government agencies is long, and the potential for resis-

tance to change is high. The leaders of many agencies don’t want too much interconnection; they are concerned, often with good reason, about the loss of autonomy. The result is excessive government investment, often spread across or duplicated within a large number of diverse capabilities in different areas, and a support system that fluctuates in response to changing political pressure and policies. As with companies whose strategies are poorly aligned with the capabilities needed for success, this leads to a lack of focus on the true mission of the government or agency, and an inability to carry it out successfully.

Government as a Digital Broker

Digitization can provide a catalyst for moving away from this entrenched agency-based model. The new role of government in a fast-digitizing world is to act as a “broker,” orchestrating the construction and supply of services through public and private operations, linked by information systems and chosen

The new role of government in a fast-digitizing world is to act as a “broker,” orchestrating the supply of services linked by information systems to meet the different needs of citizens.

to ensure the most cost-effective service and to meet the different needs of citizens. By providing greater flexibility, this model allows the government to be more responsive to future challenges and changes. And it does so at lower cost, because agencies will no longer need to build and maintain their own individual infrastructure, but rather can concentrate their investments on the specific capabilities they need to fulfill their mission.



The key to this broker model for government lies in coordination—maximizing the use of assets by building interoperable ICT systems to support, typically, the people who work for the public and NGO sector. Some governments around the world are already moving in this direction. They are making smart investments in ICT, focusing on the following five enablers of a successful digital strategy.

1. Common, sustainable ICT platforms. Central to the new infrastructure is a group of ICT hardware and data centers consolidated throughout the government. Consolidation makes it easier to design the technology to be used in a cost-effective and environmentally responsible manner. ICT infrastructure becomes a pooled resource available to both the public and private sectors; its use reduces cost and minimizes asset duplication, while increasing scalability and flexibility to support government activities. The U.K. government's Data Centre Strategy, for example, is working to consolidate government data centers; as a result, their cooling and power consumption is expected to be reduced by as much as 75 percent per year and infrastructure costs lowered by as much as £300 million (US\$480 million) per year.

2. Shared software. Computer

applications should be consolidated across agencies wherever possible. Governments can now use the cloud-based systems known as software-as-a-service (SaaS), allowing both the software and supporting data to be hosted by the vendor in exchange for a fee. The U.S. government successfully implemented Gmail and Google Apps for 38,000 employees, reducing its license, service, and infrastructure costs relating to proprietary software packages while also improving business continuity in the event of a disaster.

3. Telecommunications infrastructure. Governments should make use of their shared telecommunications infrastructure, from where it exists in both the public and private sectors, across all government agencies, eliminating duplication and maximizing its value. In Australia, a national broadband network is being rolled out in a form that all government entities in the country can use, thus avoiding agency-specific investments in developing or maintaining obsolete communications capabilities. Mobile networks based on LTE technology currently being deployed are expected to mature to the point where they can substitute for legacy radio networks in emergency and transport applications, freeing up limited radio spectrum.

4. Strategic sourcing and partnerships. Governments should drive strategic private-sector partnerships, license cloud-based applications, and leverage collaborative or open source software development. A prime example is the VistA (Veterans Health Information Systems and Technology Architecture) electronic health record (EHR) system developed by the Veterans Health Administration in the United States. It is commonly recognized as one of the most successful platforms of its kind worldwide, and has subsequently been adopted in countries such as Egypt, Finland, Germany, Mexico, and Nigeria. Recent experience in the U.S. shows that it can be deployed in public hospitals for a cost and time savings of about 30 percent over proprietary EHR products.

5. A flexible workplace. Governments must prepare for generational change, as many of their current employees begin to retire and are replaced by millennials. Members of this tech-savvy and mobile generation want greater flexibility, and governments can meet their needs by using mechanisms such as knowledge management, teleworking, and e-learning. For example, the U.S. Office of Personnel Management provides an online platform where employees can be assigned telework from a variety of government agencies and departments.

Embracing Digital Shifts

Governments can leverage these enablers to help create a more personalized and secure experience when constituents interact with various agencies—improving the availability, consistency, and quality of government services. To accomplish this, governments must continue to

develop a consumer-oriented service approach, enabling citizens to communicate with them more elegantly, both in person and online. Singapore's eCitizen portal, for example, provides citizens with the option of receiving SMS notifications from the government on matters as varied as passport renewal and overdue library books.

Elsewhere, government agencies are already providing citizens, businesses, and employees access to personalized content based on their specific circumstances, needs, and preferences. For instance, Denmark's MyPage (www.borger.dk) provides Danes with a clear view of all the information about them that is held by public authorities in one personal "online drawer" and enables them to perform transactions in a secure environment.

Some governments have taken this a step further. Australia's social welfare agency, Centrelink, has adopted self-service practices for its customers via both the Internet and phone, allowing them to use self-service as a first resort for a range of activities, including applying for advance payments, updating personal details, and reporting income. Giving citizens 24-hour access to selected services that they can perform on their own can save money and free up agency staff to provide greater value-added services.

Inevitably, these digital shifts will call into question long-standing views about the rule of law, the proper role of government, and the consent of the governed. One pertinent example is citizen ID cards. Many governments have resisted them because of privacy concerns, and because building a platform for them is a huge and expensive undertaking; it requires an authoritative

identification and authentication system to ensure secure access. But ID cards can make the delivery of services significantly more efficient. The Italian region of Lombardy is considered by many to have the most advanced regional identification program; 95 percent of its population uses a single card to gain access to a range of government and private services and functions such as healthcare, loyalty programs, fuel purchases, electronic payments, and digital television services. A private consortium developed the service for a periodic license fee per citizen.

In some parts of the world, policymakers are realizing that digital government is not focused on spending for the sake of spending or to simply make ICT departments bigger. Digital government can maximize the efficiency and effectiveness of future ICT spending, and boost the growth of the industry overall. The challenge policymakers face is to bring the benefits to scale while maintaining a strong line against abuse of privacy; to engage more effectively as collaborators with industry while maintaining the regulator's responsibility to provide safeguards and a level playing field; and to move rapidly to fulfill pragmatic goals while still addressing the needs of a broad range of constituents. Digitization has made this shift necessary, and it is also providing the tools that will make it feasible. +

Reprint No. 00155

David Hovenden

david.hovenden@booz.com

is a partner with Booz & Company, and is based in Kuala Lumpur. He leads the firm's Southeast Asian business and its global markets information technology practice.

Chris Bartlett

chris.bartlett@booz.com

is a principal in Booz & Company's communications, media, and technology practice, and is based in Sydney.

strategy+business magazine
is published by PwC Strategy& Inc.
To subscribe, visit strategy-business.com
or call 1-855-869-4862.

For more information about Strategy&,
visit www.strategyand.pwc.com

- strategy-business.com
 - facebook.com/strategybusiness
 - <http://twitter.com/stratandbiz>
- 101 Park Ave., 18th Floor, New York, NY 10178



strategy&
Formerly Booz & Company

Articles published in *strategy+business* do not necessarily represent the views of PwC Strategy& Inc. or any other member firm of the PwC network. Reviews and mentions of publications, products, or services do not constitute endorsement or recommendation for purchase.

© 2013 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.