Digital Strategy and Management in the Federal Government
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Executive Summary
Digital Strategy and Management — the process of establishing a vision and executing against it—is a common topic among executive peers in the federal government. Digital transformation, cloud, social, mobile are collectively permeating the minds of our government leaders who are doing their best to understand all of the increasing complex troughs of information, trends, and challenges that come across their desk on a daily basis. Across each sector of the government, whether civilian, defense, or intelligence, senior leaders are posing the same question—how do I successfully lead my organization in the current business environment?

It is no small task to navigate the waters of the current digital landscape. Budgets are getting smaller, technology is developing at break-neck speeds, and customers are demanding a new set of services that are forcing business to challenge their ability to respond with efficiency, agility, and innovation.

While every organization is different and every business has its own set of unique demands, the single, prevalent theme that connects the instances of success is one of a cohesive digital strategy. The ability to clearly understand your mission, identify priorities, invest accordingly, and execute is differentiating the leaders in digital transformation.

We understand. And, you are not alone. At Booz Allen, we have dedicated our research on getting to the bottom of exactly what it takes to enable business to thrive in an ever-transforming digital age. This report focuses on driving a successful digital strategy in the context of the federal government.

Our Understanding
It is safe to assume that at this point in the age of information, every organization uses digital technology in some form or another, no matter how novice or advanced. What is changing is something that should not come as a surprise: more so now than ever, IT fundamentally plays a critical role in enabling business transformation. Fifteen years ago, industry proposed that chief information officers (CIO) must play a larger role in the boardroom to help connect business to technology. Today, as evidenced by the greater weight of the CIO, we are now seeing the emergence of new roles that complement the CIO with titles such as chief digital officer or chief technical officer. These new roles and responsibilities are an attempt to fill a void for leaders who can rapidly adjust and respond to the needs of driving mission value while lowering costs and increasing customer service. Collectively, the current environment underscores a powerful vision of a digital, agile, and innovative 21st century government, but challenges still lie ahead.

The inherent problem is that traditional functions no longer work and organizations need to adapt in order to succeed in a digital enterprise.

We have found that our CIOs and chief digital officers are facing one, or a combination of, the following three typical challenges:

1. Transitioning to the Digital Enterprise. Organizations are in need of a transition roadmap and an organizational readiness assessment with proposed recommendations to develop a path forward.

2. Managing Digital Strategy and Investments. Organizations are currently focusing on strategic planning, enterprise architecture, governance, and portfolio management (PfM) activities.

3. Growing and Expanding Digital Strategy. Organizations are focusing on streamlining and integrating service, design thinking, and smart assembly.

There are significant consequences for not keeping up as technology has moved from the back of the house to the front of the house and is the integrated backbone of today’s business. It is imperative that decision makers are able to identify and prioritize the right digital initiatives for their organization, target the appropriate investments that connect mission with value, and ensure that the organization at large is moving in the right direction.
Booz Allen’s Digital Strategy and Management Services

Booz Allen offers Strategy and Management Services for clients at every stage of digital maturity. We take a holistic approach to understanding agency needs and build forward-looking solutions affecting the entire business model. This includes envisioning the future, defining a digital strategy and roadmap, optimizing management practices, and advancing service design to support the path forward (see Figure 1 below).

DIGITAL STRATEGY

In today’s landscape, understanding the implications of how technology impacts business and translating the impact into action is no easy task. All too often, organizations apply technology in piecemeal ways and without additional insight to the larger enterprise. The management of digital strategy and calibration of the operations of an organization is a full-time and critical job. As federal agencies shift towards becoming digital enterprises, traditional strategic planning efforts and the management of resources will need to evolve. Both will require more specific and intermediate milestones to keep pace with new service delivery models and approaches for digital technologies.

Booz Allen’s Approach: Booz Allen has a long history of working with our government clients and knows what it takes to drive a successful strategy. Within the context of the digital enterprise, and taking into account market drivers, federal requirements, executive directives, and customer needs, government organizations interested in executing against their digital strategy need to focus on four steps:

1. **Identify** value by clearly articulating a vision and connecting the organization’s mission with technology. Our digital strategy experts help organizations identify and roadmap holistic end-to-end digital solutions, versus piecemeal fixes, that consider internal and external processes.

2. **Prioritize** digital objectives, selecting only the critical competencies that you will need to address will allow for a clear execution. When we look at how the landscape is changing, and how to approach digital strategy, we focus on core capabilities that interact to drive agility, efficiency, and innovation.

3. **Invest** in your portfolio. Using your selected priorities, it is imperative that senior leadership support and invest in the activities that will drive better results. Fail often and fail fast, meaning, if something does not work, learn from it, and move on.

4. **Integrate** with the enterprise. Frequently forgotten, this step is critical in taking an end-to-end view of the enterprise and ensuring that, at the end of the day, customers are getting the experience that they deserve.

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**Figure 1: 5D Model for Strategy**

- **Strategy**
- **Management**
- **Change Management**
- **Smart Assembly**
- **Service Design**

**Transcending to the Digital Enterprise**

**Managing Digital Strategy and Investments**

**Growing and Expanding Digital Strategy**
Across these four steps, a significant leap needs to be made in shifting an organization’s DNA to enable it to truly embrace the digital era.

Our research suggests that a critical first step to helping an organization make this transformative shift is to quickly diagnose and baseline itself against industry standards in terms of the digital enterprise. In this case, completing a **Digital Enterprise Assessment**, by using a blend of maturity indicators that span across strategy, economics, channels, governance, operations, and user experience, an organization can quickly evaluate key touch points and technologies that drive an enterprise. This provides executives with the insight to transform internal processes, user experiences, and value propositions. Specifically, this type of assessment can help with:

- Effective and smooth senior leadership transition
- Streamlined processes
- Optimized resource allocations
- Increased or re-organized staffing
- Increased budgetary authority
- Increased clarity in organization responsibility
- Stakeholder engagement plans
- Increased clarity to improve functional capabilities
- Advocacy material for strategic communication

Once a baseline is determined, the next step is to develop a strategic roadmap that includes a set of tactical and actionable recommendations to address high-priority needs and resolve short and longer term challenges.

**DIGITAL ENTERPRISE MANAGEMENT**
As federal agencies purchase more technology and staffing as a service, they will experience a shift in strategic planning as well as the management of those resources. Both will require more specific intermediate milestones to keep pace
with purchasing items as a service. An agency’s strategy and architecture will need increased flexibility to adjust to quick demand changes. Portfolio management and budget efforts will continue the normal multi-year planning and funding cycles, but will require mechanisms for quick adjustments during the year. Governance structures will be streamlined in both scope and complexity in order to support decision makers, and workforces will need to be quickly scalable when demand increases.

**Booz Allen’s Approach:** Booz Allen assists organizations in implementing changes to core management functions in support of digital integration to include **Enterprise Architecture; Portfolio Management and Budgeting; and Governance and Workforce.**

**Enterprise Architecture:** An agency’s enterprise architecture will need increased flexibility to adjust to quick demand changes. It is critical that every layer of the business, from infrastructure to applications to key performance indicators, be aligned in order to be able to fluidly adapt to changes in technology and not disrupt the seamless delivery of services to customers and citizens. Booz Allen digital enterprise architects assist CIOs in:

- Developing effective performance goals and metrics to accurately measure consumption-based solutions
- Developing integrated technology roadmaps and sequencing plans that link both traditional IT and Everything as a Service (XaaS) solutions to ensure that capability gaps are closed
- Evolving architecture frameworks to be more open structure in order to accommodate the new services and applications
- Illustrating system architecture, including the experience roadmap of the technology consumers in enterprise architecture maps.

**Portfolio Management and Budgeting:** Budget efforts will continue the normal multi-year planning and funding cycles, but will require mechanisms for quick adjustments during the year. Investment management requires agility and a true understanding of digital economics. With a command on economics, portfolio managers can extract just as much value, if not more, from investing in back-office functions that drive operational efficiencies. Booz Allen portfolio management (PfM) experts assist CIOs by:

- Developing new approaches to PfM to enable the development of effective metrics to aid decision makers in making more timely decisions
- Preparing and considering new methods for evaluating the return on investment (ROI) for projects since the total cost of operations will need to be considered for consumption-based solutions in order to fairly compare to legacy technologies.

**Governance and Workforce:** Governance structures need to be streamlined in both scope and complexity to support decision makers, and the workforce will need to be quickly scalable when demand increases. The results of having a highly mature governance structure is that formal governance entities exist and provide oversight on decisions; processes, rules, and guidelines are defined completely; governance is cross-channel, cross-application, and integrated with the enterprise digital strategy. It is impossible to predict the future, especially with technology. While you cannot control the future, what you can control is the people that you hire and the rules by which they play. In an ideal state, the highest performing organizations are those that have hired leaders who can make smart decisions based on limited information, and cut their losses when they fail. This management approach introduces a new set of control and challenges the conservative accountability paradigm. However, it is paramount that leaders have the authority—and autonomy—to be able to execute against the business strategy so that they do not have to compromise delivery standards and outputs. Booz Allen subject matter experts (SME) assist CIOs by:

- Restructuring agency governance structures to make faster decisions as well as maintain and drive to a common set of objectives
- Implementing processes to inform decision makers to ensure they are armed with more timely information leveraged from new PfM and enterprise architecture practices
+ Establishing drivers to lead the workforce in being more dynamic and flexible

+ Developing more collaborative leadership structures and promoting a unified understanding of agency goals and objectives (This, in turn, will enable the workforce to more effectively plan and implement technology throughout the agency).

**Economics:** Within the digital enterprise context, this dimension takes a behavioral approach to understanding the use of resources to achieve a desired state. The underlying assumption of transitioning an organization in the digital enterprise is that a rational choice must be made by a set of players to attain the best possible outcome. This means that senior leaders must strategically choose how to spend their resources and ensure that, when investing in digital transformative projects or technology, they make a compelling business case that appeals to the organization in order to drive change and ensure success. Digital economists at Booz Allen can help senior leaders identify the key levers that impact digital transformation, specifically in the areas of:

  + **Sourcing:** Assessing how an organization makes investment decisions and if digital business cases are understood and used in the decision-making process.

  + **Pricing:** Assessing an organization’s pricing strategies and methodology (e.g., service-based, product-based, usage-based) used to charge organization

  + **Budget:** Assessing an organization’s ability to effectively budget and account for digital products and services, including forecasting, accounting practices, payment methods, etc.

  + **Contracts and Acquisitions:** Assessing an organization’s processes for establishing contract vehicles, handling contracts, and managing modifications for the procurement of digital services

**CHANGE MANAGEMENT/CULTURE**

Change management is that science of getting people to adjust their behaviors and attitudes in order to achieve real change, and embrace an organization-wide strategy. In the context of the digital enterprise, implementing a successful digital strategy largely depends on an enterprise-shared perspective: a common belief and a common vision. The fact that IT transformation is ingrained into the fabric of business, performance, and customer experience suggests that the days of implementing new systems, applications, or platforms in a silo are long in the past. As a result, leaders in digital maturity are embracing the principles of change management and creating a new paradigm for organizations to be able to respond to the rapidly changing business environment.

**Booz Allen’s Approach:** Booz Allen’s approach to uncovering motivations and incentives of the people begins with an **Organizational Assessment** that evaluates staff functions, roles, and skills to make recommendations for increased change effectiveness. Complementing the organizational analysis, our team typically conducts a **Culture Assessment** to evaluate the organization against six dimensions and how those dimensions inhibit or enhance the organization’s digital strategy. Dimension Analyses are also conducted which provides evidence and key takeaways for each of the six dimensions. This is followed by recommendations to improve the organization’s ability to use the cultural dimension to achieve its strategic mission.

Once the cultural analysis is complete, a **Digital Transformation Roadmap** is provided to map out the critical moves in the path forward. Booz Allen’s best practice change management techniques are then customized and incorporated into actionable plans to be delivered to our clients, such as strategic communications plan, training plan, performance management adjustment plan, resistor toolkit, etc.

This upfront consideration to culture during a digital transformation allows leaders to enable cultural change by motivating their staff to think differently about customers and adjust to management practices in support of the organizational digital transformation.

**SMART ASSEMBLY**

Traditional IT sourcing and management are being challenged and new models are addressing how organizations are optimizing the use of their resources to meet business needs. From an operations standpoint, the shift of
information technology from a capital to an operational expenditure points to a major change in digital management, one where the commoditization of IT encourages the combination of multiple disciplines to create value. In other words, the confluence of data, agile, cloud, and mobile advances are radically challenging the traditional roles of enterprise and solution architecture roles. In its place, the rise of the digital broker as the integrator of user experience + service design + architecture is proving to be the next step in the evolution of ensuring integration and interoperability, which translates into enterprise agility and effective mission performance.

**Booz Allen’s Approach:** Booz Allen has a team of scientists, architects, designers, and strategists that focus on helping clients understand how to navigate the intersection of mission requirements and the digital ecosystem. Their expertise supports the optimized assembly of digital technologies that derive business value, that is, smart assembly. Utilizing the concept of a broker (i.e., an entity that can deliver an accessible, integrated, and secure IT solution in a quick and agile manner), smart assembly combines the practices of solution architecture with digital strategy to provide a holistic and enterprise approach to strategy and implementation. As a result, our experts can provide an enterprise view in the following areas:

**Solution Architecture:** We rethink the customer’s front-end experience and integrate the organization’s back-end operations through the application of design and architecture methods to develop satisfying and streamlined service across all channels. By understanding the user and business, we can then determine the right set of technologies to best solve problems and drive innovation.

**Cloud Readiness:** We identify a transition strategy, roadmap, design and implementation, and optimization strategy for transitioning organizations into the cloud from both the technology model and operating model. Through our strategic alliances, we have many partnerships with cloud vendors,
including Amazon, Azure, Salesforce, and Mulesoft, that allow our experts to provide advice on best practices and industry standards.

**Digital Broker:** We can quickly identify and advise on key strategic value drivers and help architect solutions that optimize the assembly of digital technologies while ensuring agility, security, and meeting key performance indicators.

From your business architecture to your infrastructure, combined with our 100+ years serving the federal government, Booz Allen knows how to build a flexible architecture that is able to evolve to meet the changing needs of your business. This includes modern development practices aimed at decreasing the time-to-market from concept to production while maintaining the high quality your customers have become accustomed to.

We can help you understand the Internet of things, XaaS, service level agreements (SLA), cloud, crowdsourcing, and more—the value of the smart assembly is that the time-consuming tasks of integration and interoperability are transferred to the broker and allow executives to focus further on strategy.

**SERVICE DESIGN**

At this point in the digital era, customers have higher than ever and increasing expectations of customer service. The American Customer Satisfaction Index (ASCI) reports that the federal government performs well below private sector service industries in user satisfaction, and the gap between the two is widening. Customers are also less accepting of bad experiences and increasingly are demonstrating that they are more interested in, and willing to pay for, a better customer experience. Consequently, the differentiator from a “good” to “great” customer service is in the customer experience.

The value in applying service design methods to develop a satisfying and streamlined customer experience across all channels is seen in long-term cost savings, and is done so by rethinking the customer’s front-end experience as well as integrating the organization’s back-end operations. Channels are now being explicitly designed with the customer in mind—and it’s working (see Royal Caribbean’s Digital Customer Experience Story). Organizations looking to improve their mission delivery with digital technology need a strategy that is more powerful than just digital substitution. A focus on providing a strategic digital customer experience is an invaluable mind-shift that addresses broken services and inefficiencies affecting cost, and is a welcomed addition to the traditional mix of IT management 101.

**Booz Allen’s Approach:** Booz Allen employs an innovative service design approach to improve the quality and interaction between services and customers. A dedicated team of Design Thinking SMEs begins with a discovery method of observing and documenting human experiences to gain qualitative knowledge of customer activity. Through the use of ethnographic research methods to clarify context, the team uncovers customer interactions, behaviors, emotions, needs, and perceptions, to inspire downstream insights for creating meaningful solutions. The team then analyzes the findings from the Discovery phase, leaning heavily on visual tools to help deconstruct and map the as-is service experience, and begins to develop key insights about the customers. Using experience and journey
maps, the team identifies “experience principles” (defined as things the customer should experience to make the digital service work). After discovery and the experience mapping assessments are complete, Booz Allen assists the client in prototyping light and lean solutions in the form of storyboards and wireframes. These prototypes are then down-selected and developed into future state “Service Blueprints” that scale the front- and back-end service experience. Finally, clients are provided with a tactical work plan for implementing high-priority recommendations and a roadmap for full-scale development.

**Conclusion**

As federal government agencies evolve into digital enterprises, they have the opportunity to fundamentally change the way they manage and operate to achieve mission success. Regardless of where an agency may be in their digital journey, there are multiple starting points available from developing strategic plans and roadmaps, imagining new customer experiences and interactions, rationalizing existing application portfolios, or modernizing IT infrastructure and platforms. If approached strategically, federal agencies have the potential to realize value in the form of customer-centricity, efficiency gains, enhanced agility, and ongoing innovation. Understanding the underlying business, engagement, technology, and integration considerations for this shift are important so that agencies employ strategies that provide a return on their digital investments. As a trusted partner for more than 100 years—Booz Allen stands ready to digitally transform our government together.

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**Royal Caribbean’s Digital Customer Experience Story**

Royal Caribbean set out to build its Oasis-class ships with pervasive digital connections to transform guests’ cruising vacations—allowing them greater individual control to influence their experience. To do this, the company thought about every aspect of the ship and its operations from a guest’s perspective. That experience formed a simple, yet powerful, goal: Zero tolerance for lines. “If you have to stand in line,” explained Bill Martin, vice president and CIO, “the ship suddenly seems too big and the experience diminishes sharply.” Imagine the potential for lines when 5,400 people on a single ship want to eat dinner, see a show, or take an excursion. Rather than making lines more endurable, Royal Caribbean sought to eliminate them. How? By implementing different combinations of digital and physical resources across the 26 processes where passengers could potentially experience a line. The company used shape recognition cameras to determine restaurant capacity and made the information available to passengers within their natural behavior flows. They used smart cards to turn the process of offshore excursions into one as simple as walking into an office building. The result is a digital edge based on combining digital capabilities rather than merely replacing clipboards with iPads.
ABOUT BOOZ ALLEN

Booz Allen Hamilton has been at the forefront of strategy and technology consulting for 100 years. Today, the firm provides services primarily to the US government in defense, intelligence, and civil markets, and to major corporations and not-for-profit organizations. Booz Allen helps clients achieve success today and address future needs by applying functional expertise spanning consulting, analytics, mission operations, technology, systems development, cybersecurity, engineering, and innovation to design, develop, and implement solutions.

Booz Allen is headquartered in McLean, Virginia, employs nearly 23,000 people, and had revenue of $5.48 billion for the 12 months ended March 31, 2014. In 2014, Booz Allen celebrates its 100th anniversary year. To learn more, visit www.boozallen.com. (NYSE: BAH)

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