

Digital Service Teams: Challenges and Recommendations for Government

By Dr. Ines Mergel

Over the past six years, digital service offices have emerged in government departments around the world. Known as "tech surge teams," they repair urgent technology failures and offer an alternative approach to rethinking processes and implementation strategies in government digital transformation projects.

This report shares insights about three types of digital service teams:

- **Centralized teams** that directly support national priorities such as the U.S. Digital Service (USDS), or the UK's Government Digital Service
- **Enterprise teams** who support IT acquisition innovation and internal consultancy services such as 18F, an office within the Technology Transformation Service at the General Services Administration (GSA) that states it is a "services company and product incubator" with the goal of providing digital development and consulting services for other federal government agencies or programs
- **Agency-level teams** which include agencies pioneered in the U.S. such as the Digital Service at the Department of Veterans Affairs, the Environmental Protection Agency, and the Department of Defense

Insights

The insights provided in this report are based on a review of relevant literature and interviews with:

- Founding members
- Current directors
- Line managers of digital service teams
- Their counterparts in the offices of the chief information officer (CIO) and chief technology officer (CTO) at the agency level

- Private-sector representatives aiming to collaborate with digital service teams

The interviews focused on:

- Team structure
- Use of agile and human-centered design processes
- Changes to HR processes to attract IT talent from the private sector
- Incentives for IT professionals to join the U.S. federal government
- Alterations made to federal IT acquisition processes

One of the catalysts that led to the creation of such various digital service units was the inability to deliver an operational HealthCare.gov website on time in late 2013. This failure was symptomatic of a broader federal challenge in delivering large-scale IT projects. A post-mortem assessment found that the government's existing IT expertise did not reflect private-sector industry practices, and that there was a gap between the needs of program managers and the technical capacity available to implement large projects effectively. A key contributing factor was that over three-quarters of the current IT budget for the federal government is earmarked to maintain outdated legacy IT systems. Consequently, this leaves little room to exploit the potential for adopting innovative technology approaches and capacities.

A short-term solution to this lack of technical capacity and innovation was the introduction of so-called "IT start-ups" within government (also known as "digital service teams"). These small teams typically operate outside existing agency IT organizational structures and recruit IT talent directly from the private sector.

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Six Challenges to Creating Digital Service Teams

Challenges occur in these innovative settings on a procedural, organizational, and cultural level. Many of these teams aim to attract talent from the private sector (specifically from Silicon Valley), and to preserve a similar “start-up” culture inside of government. However, the bureaucracy often contradicts the “just do it” mentality when it comes to acquisition rules and regulations, hiring, or the compliant use of technology. Outlined below are six major challenges to creating and maintaining digital service teams that might help other teams understand how their efforts can be grasped by the bureaucracy.

1. Embracing an Agile Development Approach

Private sector technology-based companies have rapidly embraced the tenets of “agile” software development. This is characterized by a rapid development of functionality that focuses on the needs of the end users or clients. However, this method is seen as antithetical to traditional software development approaches in government and has met some resistance.

2. Attracting IT Talent

Making use of flexible hiring policies has become an important cornerstone to build and scale up teams such as 18F or USDS (often labelled as start-ups within the government). Top IT talent is recruited mostly from outside the government, including:

- Other local and state government agencies
- Civic hacking teams
- NGOs and nonprofits
- Former contractors

Several high-profile hires hail from technology companies in Silicon Valley such as Google or from the computer animation film studio Pixar, which is where GSA’s Technology Transformation Service recruited its associate administrator.

Hiring policies were not changed to make these hires possible, instead existing underutilized policies were activated to make direct hiring possible. One example is the use of the U.S. Office of Personnel Management’s direct hiring authority (Schedule A, Subpart R) that grants agencies the authority to hire people on short-term appointments.

3. Maintaining and Scaling a Start-Up Culture in Government

The most challenging aspect of digital transformation is the notion that the internal bureaucratic culture of government has to dramatically change, and existing processes have to be redesigned to fit the changing needs of its citizens. Culture does not refer to standard operating procedures, but the concept of “how we do things around here.” With the agencies involved in this study, digital transformation happens as a result of a shift in how technology and technological operations are viewed. IT is no longer seen as something that happens to the organization which it must adapt to. Instead, IT is seen as “a tool in the toolkit,” yet often, the real transformation occurs when you change the method and the process by which you do things.

4. Improving IT Acquisition Results by Using Agile and Open Methods

Several Government Accountability Office (GAO) reports point to major IT acquisition problems in the U.S. federal government (U.S. GAO 2011, 2015). For example, a 2011 report highlighted that, “Federal IT projects too frequently incur cost overruns and schedule slippages while contributing little to mission-related outcomes.” However, solutions do exist. Two novel strategies successfully adopted in the private sector are to:

- Apply agile methods to the acquisition process
- Adopt an “open by default” approach to project management

But for these fundamental changes to the traditional government IT acquisition approach to be successful, the government’s contractors must first buy into these strategies.

5. Funding Digital Service Teams

In many instances, practices can only be changed by hiring additional external skills and capabilities not readily available inside government. Existing personnel authorities can hire Presidential Innovation Fellows for short tours-of-duty in government which will temporarily increase competencies. However, as soon as the PIFs leave government and return to their previous positions in the private sector, their knowledge and resources are lost (The White House 2015a). Currently, the main part of the IT budget is used for legacy systems, which either leaves newly founded digital service teams with only ad hoc appropriations from Congress, or having to carve out money from existing budgets to address urgent IT problems. What is needed are long-term plans and higher hiring and spending budgets.

6. Addressing Whether Innovation Should Be Bought or Built

When it comes to innovation in government, a 2016 House Committee on Oversight and Government Reform hearing revealed that some representatives of private-sector providers of government technology services have many concerns about the role of in-house digital service teams (U.S. Congress 2016). They even went so far to pose the question, “Why do we have 18F and USDS?”. In turn, this raises larger questions about how digital transformation may evolve in the federal government:

- a. Where should innovation of government services and processes come from?
- b. Is government capable of innovating or should government focus solely on service delivery?
- c. Is the private sector the only place where innovation can occur?

It’s these questions that are challenging the current status and potential future support of digital service teams.

The Need for Digital Transformation, Not Incremental Change

Two things are missing from the current conversation about moving to a digital government. The first is how these systemic problems need to be tackled beyond the individual project level. The second is that the strategy needs to shift from digitizing existing processes to fundamentally rethinking and transforming business processes.

Emerging digital transformation approaches used in the private technology sector could be adapted and used by governments to improve their operations and services. Common private-sector approaches include:

- The strategic management of innovation processes
- The adoption of user-centric design approaches
- Using cross-institutional and cross-functional teams to implement initiatives. This includes software engineers allowed to use agile methods, contractors who promise to deliver using agile processes, and most importantly, clients who see the benefits

In order to adapt these private sector approaches to the public sector, cutting-edge government leaders found that they needed to:

- Rethink existing government acquisition policies and practices
- Initiate institutional changes in their relationships with external contractors
- Change the government’s inherent risk-averse culture
- Recognize organizational champions who promote such changes

Recommendations for Agencies

Agencies considering or in the process of setting up their own digital service teams should:

- Understand that government digital transformation is not a “software problem”—it requires a holistic and strategic approach
- Use “outside-the-box” thinking to infuse innovation with acquisition strategies
- Phase in new cost models to support digital service “start-up” teams
- Include non-technical government employees as part of digital service teams

Management

- Challenge the perception that “innovation can’t happen here”
- Enlist leaders to champion digital transformation
- Promote greater collaboration among digital service teams and agency IT stakeholders

Recommendations for Policy-Makers

The report advises that policy-makers take steps to ensure the long-term sustainability of digital transformation with digital service teams. The recommended actions are to:

- Align the priority of digital transformation with other national mission-driven and agency-level priorities
- Address the legacy IT problems of the federal government
- Scale up digital service team activities where they demonstrate value
- Expand agency authority to use innovative personnel tools to attract IT talent into government
- Adopt a new approach toward third-party service providers that reduces procedural acquisition burdens in favor of a demonstrated capacity to deliver results

Beyond the traditional digitization efforts of the past, digital transformation uses a holistic approach to rethink and change the core processes of government organizations. This new method requires cultural, managerial, process, and developmental changes by the organization as a whole. Based on interviews and case studies, the report concludes that successful digital transformation is dependent on systemic changes beyond the scope of CTOs and CIOs. In essence, personnel and acquisition policy changes are required to encourage activities that support the ultimate outcome of transformation. ■

TO LEARN MORE

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The report can be obtained:

- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
- By calling the Center at (202) 551-9342