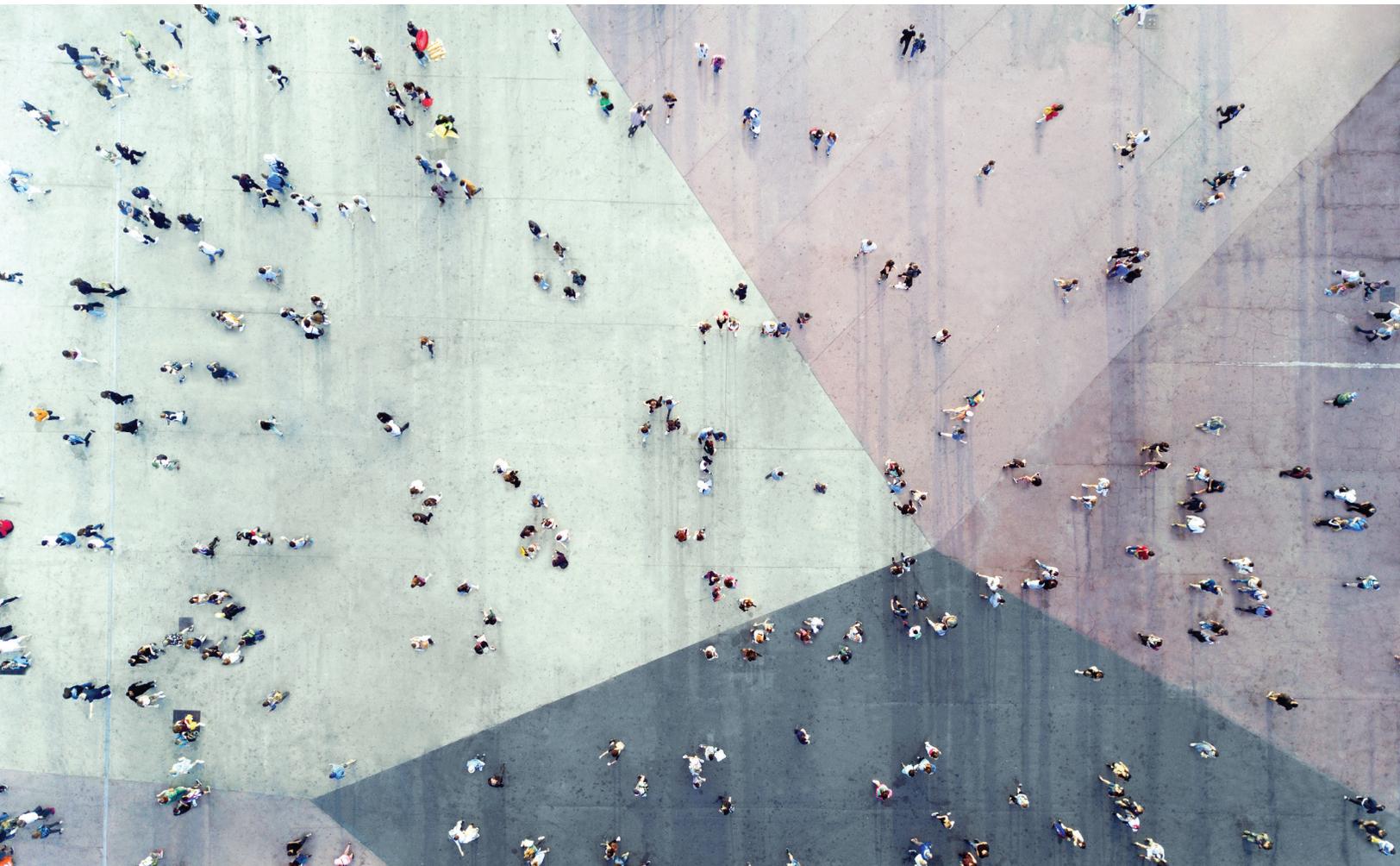


Advice from Silicon Valley: How tech-sector practices can promote innovation in government

Public-sector leaders recently met with leaders from the region's most innovative companies to learn about their culture of innovation firsthand. Here's what they heard.

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For all the impact government innovation can have on people's lives, leaders at the national, regional, and local levels often feel constrained in bringing new technologies or ways of working to bear on their organizations. Long approval processes, a lack of resources, and time-consuming regulations can impede progress, and so does the task of assessing what innovations would be worth adopting.

To improve the functioning of government in areas such as resource allocation, talent management, and organizational culture, its leaders could learn from the experience of any number of companies and industries. But few are as synonymous with innovation as the technology sector—and even among technology hubs, Silicon Valley stands out. In March 2018, McKinsey and The Aspen Institute brought together a group of senior government leaders and tech-industry executives for two days of immersion in and discussion about innovation.¹

What government leaders took away from the established tech heavyweights and disruptors who participated in the meeting could transform the way the public sector functions. Tech executives encouraged government leaders to be bold in vision but iterative in delivery—to think big but start small. They encouraged these public-sector executives to become obsessed with their end users: citizens, yes, but also companies, organizations, and foreign visitors and investors. They recommended cultivating talent and practices with an eye to the future rather than anchoring them in the present. And they encouraged public-sector leaders to harness the insights of others: around the world, governments are tackling the same challenges, some with great success. What follows captures highlights of the group's discussion on these themes.

Be bold in vision but iterative in delivery

Despite operating on a massive scale, governments tend to innovate incrementally. Bold moves can be catastrophic if they go wrong. Yet incremental

moves and marginal improvements are not likely to improve people's lives in a meaningful way—and may not generate the momentum to survive legislative or administrative processes.

As one of the tech leaders at the conference suggested, the challenges governments face will get even bigger and more complex as populations grow, age, and become more diverse. For governments, he argued, innovation of the necessary magnitude means breaking away from incremental improvements and aspiring to make something ten times, not 10 percent, better. Silicon Valley companies have a reputation for creating organizational cultures that aim to have an impact far greater than they do elsewhere. Although an aspiration to improve performance ten times over doesn't always realize results at that level, even an impact two or three times current levels would have a significant effect on people's lives.

The tactical aspects of achieving big goals include these:

- **Think big but start small.** A practical-minded public-sector leader might argue that the bigger the goal, the more daunting the delivery challenge. The Silicon Valley executives at our conference offered a solution: fast, flexible ways of working; a focus on what they call minimally viable products, which offer just enough features to satisfy early adopters; and rapid user testing. Amazon, for example, describes what it calls a "two pizza" rule of thumb that keeps working teams small enough to communicate effectively and generate ideas and pilots rapidly—two pizzas should be enough to feed any team. These are core elements in a delivery model that helps innovators to control the scope, scale, and focus of projects. Pilots that carefully manage these three elements reconcile the need for bold aspirations with feasible, value-driven delivery. In fact, starting small and eventually scaling can be more effective than rolling out all at once.

Breaking bold aspirations into small, functional pieces of deliverable innovation would allow governments to lower the risk of innovating with programs while improving performance. Overcoming the initial start-up costs to launch a bold effort can be the most difficult part. Once the program gets going, the keys are to establish ambitious milestones along the way and to appoint the right leadership.

- ***Make room for failure.*** Many readers know that innovative tech firms do not view rapidly developed, unsuccessful pilots or tests as true failures. Instead, they understand how this kind of failure helps organizations to deploy their resources more intelligently. Failed tests and pilot projects are an essential part of building the knowledge base and controlling future risk. The emphasis is not on whether things will fail but rather on whether they fail quickly and enlighteningly. Indeed, Silicon Valley innovators would argue that longer-lasting projects with little or no testing increase the level of risk by obscuring the factors that lead to failure.

Shorter testing cycles and small-scale pilots allow teams to correct their course, enable companies to launch more successful products more quickly, and lower the cost of development. Silicon Valley executives thus greatly favor a rapid test-and-learn model over the longer plan-and-test model, which, in their experience, can cost more and last three to five times longer.

- ***Don't wait for the perfect moment.*** Contextual challenges with technology, such as poor data quality, unstructured data, and legacy IT architectures, often dissuade public-sector leaders from pursuing innovation while they await a more user-friendly context down the road. Yet a massive, multiyear modernization or transformation effort is rarely needed for a real impact. Instead, governments can adapt

products, architectures, data structures, and other technology elements even as they innovate.

Some start-ups, for example, have partnered with large government entities (such as the Centers for Disease Control and Prevention, the US Department of Defense, and the state of California) to ingest, clean, and unify otherwise disparate data sets. This approach allows them to develop and test use cases quickly, without waiting for major changes to underlying databases or technology platforms. First, prove that an idea has value through an active use case, build upon it to determine the direction of change, and then decide which bigger tech changes might unlock additional value. Governments that take this approach need waste little time waiting for technology updates that may be slow to materialize.

Become obsessed with your end user

Perhaps Silicon Valley's greatest strength is its obsession with end users—customers. Tech firms in the Bay Area attribute their past success to this user-centric focus. The Silicon Valley executives at the conference were adamant about the need for a close consumer-facing, individual-user perspective, both on today's users and on the next wave about to come online. This obsession helps companies to offer high-quality products that users believe in, instilling more trust in the company that offers them and creating a more powerful impetus to provide the feedback needed to continue prioritizing the user experience. A high-quality product that solves a real need is valuable to individual customers and can achieve blistering adoption rates.

In the public sector, that approach requires governments to adopt the citizens' perspective, intentionally and rigorously, in decision making. In itself, this calls for a rigorous approach to seeking out and understanding what citizens experience and requires governments to develop channels that

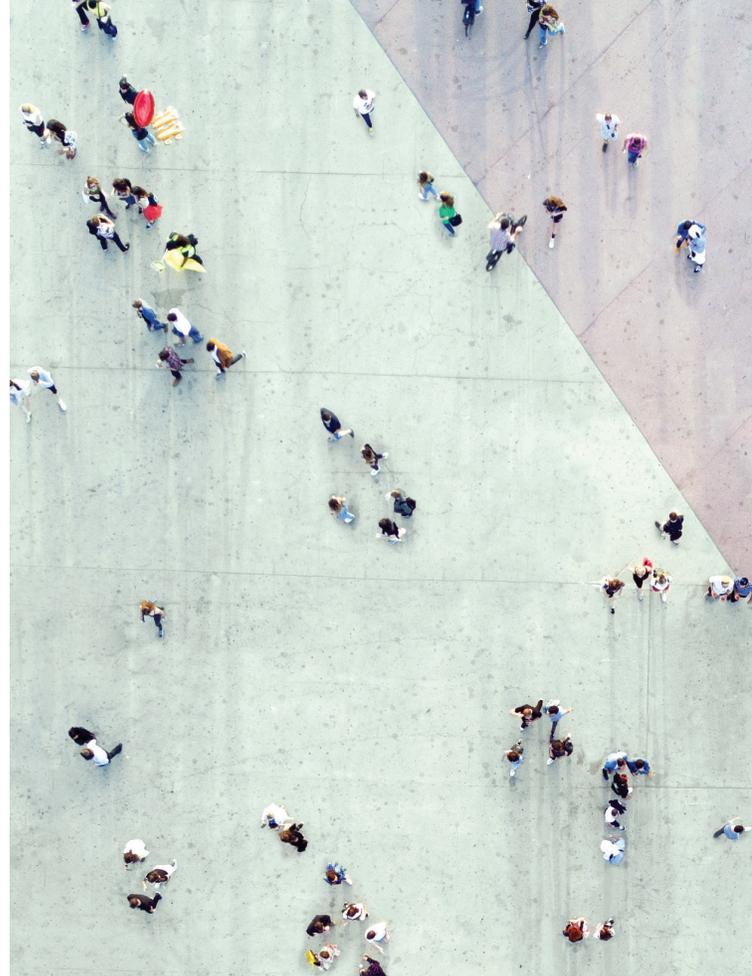
customers can use to share their perspectives and ideas. Pilot projects, for example, are opportunities to start conversations with customers or citizens about the product being developed, even if that means launching, early on, a minimally viable product available only to a subset of citizens. Silicon Valley thrives on feedback loops designed to improve both individual products and the organization's understanding of the customer perspective. Governments can benefit from this kind of citizen feedback, even when it isn't favorable.

Such a paradigm shift can be challenging, but an empathetic, citizen-obsessed perspective will allow public-sector leaders to create programs and products that generate significantly better outcomes at a significantly faster pace. That perspective could also help governments to prune their strategic initiatives by eliminating efforts and investments that have little or no impact on customers.

Build talent assets and practices for the future

Public-sector leaders often focus on the barriers they perceive in attracting top talent to government: relatively low salaries, frustrating bureaucracies, and regulatory hurdles that impede fast-paced progress. But as the Silicon Valley executives at our conference noted, what motivates the workforce is changing. Our definitions of work and career are being reshaped around a gig economy. Talented employees increasingly prefer to change roles frequently, viewing work as a collection of experiences rather than a single track to follow throughout the course of a career. Millennials in particular aspire to do more than punch in and out on the job; more than two-thirds want to make a positive difference in the world and to find an employer whose values match their own.²

In Silicon Valley, supporting that employee value proposition requires innovative companies to harness the energy and influence of top performers to make rapid progress—enabling them to break



down barriers that prevent others from doing the same. Government bureaucracies can be risk averse and slow to react, and they reward workers who adhere to procedure. But Silicon Valley encourages top talent to role-model a bias for action. Innovative companies there create safe environments for teams to pilot action-oriented behavior, to experiment with what works for them, to learn from other organizations that do all this well, and to build success cases. Once there is a clear fit with one part of the organization, these companies expand innovations rapidly to other parts.

Governments could also capitalize on the changing nature of work rather than remaining captive to it. Indeed, they may have an inherent advantage over the private sector in their value proposition for these workers. As one public-sector participant observed, governments have the best missions and the best purpose. Their missions are transformational to people's lives. For millennials, that's a motivator—and governments can build on this mind-set to create talent-sharing opportunities across agencies and even across the public and private sectors.

Harness the power and insights of those around you

In Silicon Valley, empire building—aiming to own and control an end-to-end product for a company’s own users—usually falls flat. Organizations have more success building on existing technologies, participating in partnerships to avoid reinventing the wheel, and borrowing liberally from the good ideas of others. Ridesharing apps, for example, are unabashed borrowers: they pull geolocation data from mapping services and integrate existing payment platforms into the passenger experience. Such apps have become the hubs to deliver a service that would have been outside the portfolios of geolocation and payment companies. But the products of these companies improved with the data and the customer feedback funneled back to them from the ridesharing apps, creating a mutually beneficial ecosystem.

Ridesharing provides a related example for the public sector. One Silicon Valley executive observed, for example, the value of government partnerships with Uber Technologies to provide traffic data. The ridesharing service’s anonymized data on average travel times between and within specified zones, he noted, were both more “live” and more accurate than what the public sector could access elsewhere. Transit and transportation agencies could get, free of charge, better and faster information than they have now, allowing them to focus on adding value through policy and decision making.

Government leaders should look outside their organizations to find better, cheaper, or faster solutions that already exist and could improve the quality of desired outcomes—or even create ecosystem benefits the organization might not

have imagined. Moreover, the agile organizational models prevalent in Silicon Valley help companies there assemble the right people quickly to solve the problem at hand, regardless of organizational reporting structures, hierarchies, or presumed resource constraints. Government can bring the same “solve it now” mentality to problems that otherwise might languish for years, but it takes leaders with a bias for action and collaboration to get things started. Silicon Valley has adopted these agile organizational models for years. Some companies have wholly eliminated standing meetings and opted for real-time collaboration to make decisions on important topics immediately.



Public-sector organizations may have diverse missions and different internal and external barriers to change. But across government, leaders with an appetite for fostering innovation can be champions for their organizations—and for each other—by starting small, gaining traction, and sharing their successes and learning across organizational lines. ■

¹ The Insight to Innovation (i2i) conference was held in San Francisco, California, on March 7–8, 2018.

² *Redefining the C-suite: Business the millennial way*, American Express Services Europe, 2017, americanexpress.com.

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