

Testimony of Jennifer Morgan, President, SAP Public Services

**Before the Subcommittee on Federal Financial Management,
Government Information, Federal Services, and International Security
Committee on Homeland Security and Governmental Affairs
United States Senate**

Thursday, May 24, 2012, 10:00 am



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Chairman Carper, Senator Brown, and Members of the Subcommittee: Thank you for this opportunity to share SAP's perspective on the federal government's use of information technology (IT).

My name is Jennifer Morgan, and I serve as President of SAP Public Services, a US-based subsidiary of SAP, the world's leading provider of business software. Our mission is to help companies and governments to run better. Our vision is to help the *world* run better. Over the last 40 years, we have been innovation leaders in core business processes such as financial management and human resource management; and today we continue to lead a new wave of innovation enabled by business analytics, in-memory computing, cloud computing, and mobility.

In the United States., SAP helps thousands of organizations be more agile and competitive in the global economy. My business unit, SAP Public Services, serves more than 3,800 public sector agencies in almost all 50 states, from local school districts to statewide programs to the largest federal defense and civilian agencies. Some of our best known customers are:

- The US Army, US Navy and Defense Logistics Agency;
- Civilian agencies including the Departments of Agriculture, Interior, State and Treasury, plus US Customs and Border Protection, NASA, NIH and CDC;
- Many state and local government agencies from Orange County Public Schools to the City of Houston to the Commonwealth of Pennsylvania; and
- Many higher-education institutions including MIT, University of Kentucky, Johns Hopkins and Boston University.

Based on SAP's public and private sector experience—and our global technology leadership—we are honored to share our perspective on how technology innovations can help address the challenges that confront the US Government.

Like you, we believe passionately that IT is part of the solution, because we know from experience that IT enables:

- Faster, more intelligent decision-making;
- Turning insight into foresight;
- Higher performance;
- Meaningful efficiencies and cost savings; and
- Greater transparency and accountability, which are essential to efforts to reform, consolidate and course-correct large government programs.

Technology Mega-Trends

Technology is evolving at a pace we have never seen before. No longer is technology being driven by large companies and governments; it is being driven by consumers, or in the case of the public sector, by citizens with higher expectations of what technology can do. Businesses and governments must adapt to these changing expectations.

We see several mega-trends that are reshaping how technology can enable the missions of government agencies.

In-memory processing. You have probably heard of the term “Big Data,” which refers to the growing volume of information produced in the course of daily life. In the United States alone, companies store enough data every year to fill 10,000 Libraries of Congress. From the beginning of time until 2003, humanity created an estimated 5 exabytes of data. In the last 12 hours, we created that same amount of data.

In response, industry has created powerful new tools for managing and analyzing all that data, in terms of both volume and speed. For example, the SAP HANA in-memory technology removes entire layers of hardware from the solution stack and allows

organizations to analyze massive amounts of unstructured data thousands of times faster than old disk-based systems.

Here is one illustration of how Big Data technologies are changing the world for the better. SAP worked with one of the world's leading medical-research hospitals to reduce the amount of time needed to analyze the DNA in cancer tumors from 3 days to *2 minutes*. Patients and their families receive diagnoses much faster; and therapies can be better tailored to each patient's particular condition. It is hard to think of a better example of the benefits of "Big Data" management than improved medical care for loved ones with cancer.

Think of how these technologies can allow government agencies to analyze huge data sets to combat waste and fraud, or to spot ways to cut spending while improving services - proactively.

Mobility. Our growing ability to make data and applications accessible to anyone, anytime, on any device is critical at a time when there are 5 billion mobile phone subscribers in the world, and more than 9 billion mobile apps downloaded to date. When we marry the benefits of anytime, anywhere, any-device connectivity with access to business data and applications, including real-time analytics—we achieve enormous gains in efficiency and productivity.

In a *GovLoop* survey sponsored by SAP, close to 60% of the federal managers who responded said their organizations would roll out between one and four new mobile applications in the next 12 months. Another 10% said they were likely to introduce five or more mobile apps in the coming year. The most commonly mentioned reasons for adopting mobility in government were:

- Reducing costs;
- Improving communications with constituents;
- Improving internal communications; and
- Linking data and business processes.

Obviously, the mobility trend raises several challenges for Federal CIOs and IT managers. For example, in the *GovLoop* survey, we found the majority of government organizations will only support one kind of mobile device for employees. Obviously, this creates a lot of grumbling for people who want to use a different kind of device. So now, many CIOs are looking at ways to enable “BYOD,” or “bring your own device.” BYOD is another example of how empowered consumers and constituents are driving these trends.

Cloud computing. Public and private sector organizations want flexible ways to deploy technology without having to maintain expensive, on-site infrastructure. They want fast, flexible, cost-effective IT services on demand. Cloud computing offers many opportunities for government to consolidate and streamline operations, just as it does for business. In fact, an independent study sponsored by SAP recently found that cloud computing could save US businesses as much as \$625 billion over five years, much of which could be reinvested in new business opportunities and jobs.

Likewise, there is enormous potential for cloud computing to save the US Government money while improving mission performance and creating good jobs in our economy. We compliment the administration on its “Cloud First” and “Virtualization First” policies and working with agencies and business partners to make them a success.

Across all of these trends, there is a consistent success factor, namely collaboration and co-innovation with partners and customers. A very large and growing portion of SAP’s business occurs in collaboration with other companies and, most importantly, with our customers. New solutions must extend the investment made in legacy solutions. Vendor lock-in is “out;” co-innovation and teamwork is “in.”

We have found that the fastest and most successful results occur when industry and government co-innovate to bring new possibilities to life through technology.

Taken together, the rise and convergence of these mega-trends – cloud, mobility, Big Data, and cross-industry collaboration – are helping IT users achieve quantum leaps in

efficiency, speed, and accountability. The kind of real-time, big-picture situational awareness and decision-making ability that used to appear only in science fiction is becoming reality in business and government today.

The pace at which technology is advancing will not slow for anyone. That is why the most successful businesses in the private sector are constantly adapting to stay relevant and competitive, and the public sector must do the same.

A Case Study in These Trends

Let me tell you about one federal agency that has led the way in innovation and illustrated the power of these trends.

When Congress and the Obama administration created the **Recovery Accountability and Transparency Board** in 2009 to help ensure transparency and accountability in federal “stimulus” spending, the Board faced several challenges, such as:

- Determining how to manage huge quantities of evolving data from a variety of sources about stimulus grants, loans, vendors employed, and jobs;
- Presenting this information to the public in an understandable way on any Internet-access device; and
- Not spending millions of dollars that the board did not have to create an entirely new infrastructure and business process to manage all this data.

To address these challenges, the Recovery Board turned to SAP and several other companies to launch a website called Recovery.gov, which takes a huge amount of program data from a variety of sources, analyzes it, and presents it to the public in a user-friendly online dashboard. The industry consortium launched Recovery.gov in just *11 weeks*. As part of that effort, we worked with Amazon to base the solution in the

cloud, a move that took just 22 days and made history as the first federal agency website to launch in the public cloud.

SAP also worked with Apple, Google, and other companies to make the data accessible on a variety of mobile devices. As a result, you can download the Recovery.gov app on your smartphone and immediately track spending in your states and local communities.

More recently, the Recovery Board leveraged these technologies to create FederalAccountability.gov, which allows agencies to evaluate the risk of each applicant seeking government funds. This solution, called FAST ALERT, was deployed in about three months. It enables federal agency personnel to analyze many large data sets in real-time and identify instances of waste, fraud and abuse *before* they happen.

The Recovery Board experience is a success story in enabling better stewardship of taxpayer dollars while enhancing the public trust. We drew on the best of many organizations, both private and public; we helped the government be more agile; and we leveraged the megatrends of cloud, mobility, and Big Data to innovate for the common good.

Here are a few more examples of how public sector agencies are harnessing these trends:

- **At the USDA**, as a result of standardizing all financial management and accounting functions – and adding the SAP HANA in-memory database and advanced business analytics – we anticipate reducing the amount of time it takes the Farm Services Agency to run critical financial reports from minutes to seconds each. In an organization that runs thousands of financial reports a year, you can imagine the savings in time and money that can be put to other uses.
- Or consider the **State Department** and the **US Patent Office**, which have used our solutions to gain a clearer picture of their costs to deliver

services and come up with better fee structures and business processes to support their operations.

- At the local level, the **City of Boston** is implementing a performance-management solution that allows managers to assign and track performance measures; generate fast reports and online dashboards; and share results with colleagues, lawmakers and the public. As part of the deployment, which is occurring in a matter of weeks, not years, SAP hosted an “Innovation Jam” bringing together a wide array of solution providers and users to develop test-able prototypes within a 24-hour period.
- Or look at the **University of Kentucky**, which is using our solutions to identify students at-risk of dropping out and intervene sooner to improve student retention.

These are just a few examples of what SAP technology is making possible for our customers; and I know there are many more like them.

Recommendations for Federal IT Management

How can Congress and the Executive Branch make the most of these new technologies and reap the benefits for US taxpayers?

Well, first, we want to applaud the work being done by the Federal CIO and his colleagues across all levels of government who are working with industry to improve the way the public sector acquires and uses technology. Progress *is* being made, and we especially applaud efforts to move forward on data-center consolidation, cloud initiatives, and the use of mobile technology.

Still, as the GAO has reported, there is much more work that could be done.

For example, the government's IT procurement processes often take longer than the technology upgrades. This is a real problem at a time when technology innovation cycles are getting shorter, and costs are going down. The nature of the new technologies means that large, complex deployments are no longer the norm. The government's acquisition processes have to evolve to address this new reality.

It does not have to be this way; we need only look back on the last quarter century of acquisition reform panels to find good ideas that still need to be implemented. One of those panels was the TechAmerica Foundation's "GTO-21" Commission in 2010, in which SAP was proud to participate. Based on interviews with more than 100 federal acquisition experts, the commission reported that program managers face very complex compliance requirements when it comes to technology purchases. Programs are often understaffed from a management standpoint, and many lack continuity of personnel. Many government systems are so complex that they are not well suited to be completed at a fixed point in time; but rather, they need to be developed incrementally with input from many sources, including the end users.

These problems are compounded by the increasing use of Continuing Resolutions to fund the operations of government, and the resulting disruptions in planning and contracting processes.

The GTO-21 Commission recommended several steps to keep federal IT acquisition moving in the right direction, including:

- **First, focus on faster, more agile, incremental development using commercial, off-the-shelf technology.** More flexible contracting vehicles could include self-service app stores like the Apple iTunes store.

Incremental change is less costly and less likely to get out of control. It delivers value in months, not years. And it helps prevent the problem of vendor lock-in and escalating costs as the government's needs evolve and grow.

- **Second, foster an open dialogue between the government and its private sector partners** and “co-innovation” of the type that is so often seen in the private sector.

Congress and OMB should make it clear that public-private dialogue and collaboration are to be encouraged, not feared. On the industry side, big government contractors can improve dialogue by including key subcontractors and vendors from the start.

- **And third, the government needs to develop more professional program management capabilities in every agency.** OMB should formalize the career track, establish a Leadership Academy, and assign capable program managers to oversee every program from start to finish.

Mr. Chairman, I am not a policy expert, but SAP does employ some of the leading experts in these issues, and along with our industry colleagues, we have been proud to participate in several panels including the GTO-21 Commission, the “Cloud2” Commission, and the new Big Data Commission, announced just this week. Each of these prior efforts has outlined a series of common-sense IT policy changes that all sides can agree on, and the new Big Data Commission is aiming to do the same. I urge the subcommittee to examine these reports and adopt their recommendations.

Closing

It bears repeating that many of these steps can be taken with no new laws or regulations needed. Using existing authority, the IT industry can help government cut wasteful spending without passing a single budget cut. We can help increase revenues without touching the tax code. We can help prevent waste and fraud before they occur. We can dramatically improve the delivery of government services in a consumer-driven world.

SAP has achieved breakthroughs like this for governments at every level in the US and worldwide, and other companies are bringing their own innovations to bear.

The rapid progress of technology makes it possible for government to improve its performance while saving money and increasing accountability. SAP appreciates the opportunity to be a leader and partner in that effort. Thank you.

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