

Federal Spending on Enterprise Business Systems Stays Strong

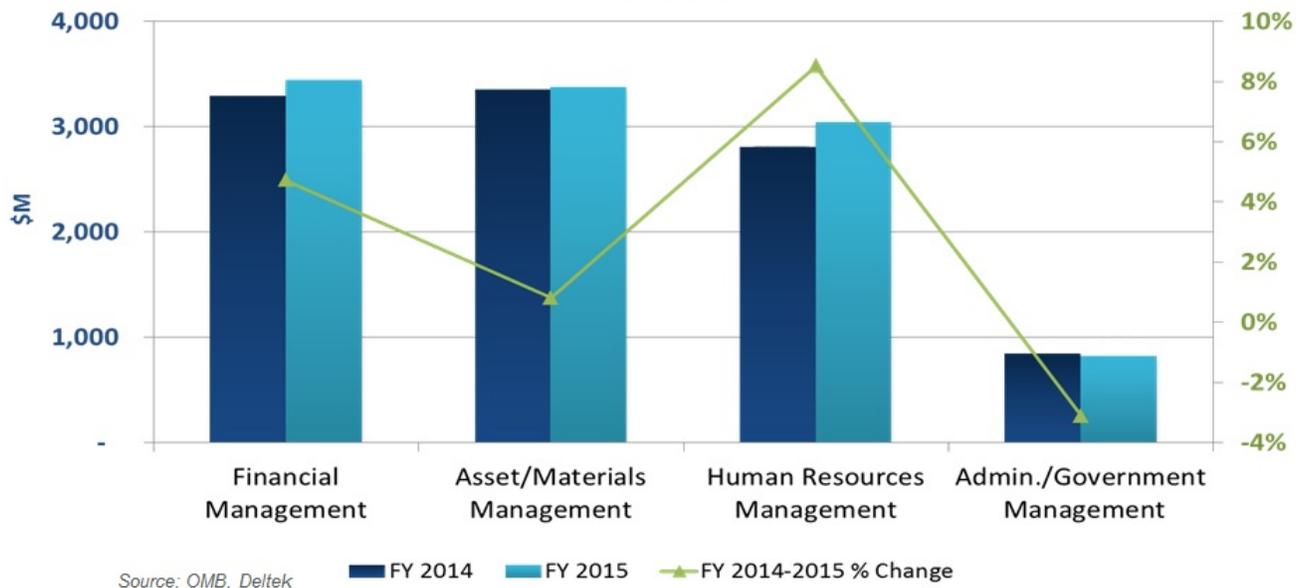
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Ongoing initiatives to modernize government business systems offer prime examples of the ways federal agencies are looking to leverage technology transformation to achieve cost savings and efficiency gains.

At end of 2014, [Deltek's Federal Industry Analysis team completed analysis of the market for business systems](#), identifying four segments characterized by different types of enterprise solutions. These four segments are financial management, asset and material management, human resources management, and administration and government management.

Federal Business System Spending by Segment, FY 2014-2015



Financial Management – The goal of improving financial management across the government has led to updated guidance for financial management system and shared services initiatives. Systems in this segment include solutions for payroll, accounting, invoice processing, budget formulation, and collections. This segment is expected to grow by 4.7% from FY 2014 to reach \$3.4 billion in FY 2015.

Asset and Materials Management – Business systems for asset and materials management facilitate tighter asset control. Systems in this segment include solutions for supply chain management, inventory control, and fleet management. This segment remains flat from FY 2014 to 2015.

Human Resources Management – These systems support efforts to improve workforce performance. Solutions include personnel management, performance management, recruiting, and compensation management. This segment is expected to grow by 8.3% over FY 2014 levels to \$3 billion.

Administration and Government Management – These systems include solutions for contract management, program management, customer relationship management, and travel management. Spending in this segment continues near FY2014 levels.

Deltek predicts contractor addressable spending on federal business systems to total \$10.6 billion for FY 2015, increasing slightly over FY 2014 spending levels. While many government efforts to improve business systems have been underway for some time, policies and legislative mandates continue to shape both the strategic direction and agency progress. For example, demand for improved business performance is underscored by reporting requirements and the need for increased financial transparency. The goal of reducing spending is also linked to efforts like adoption of shared services and plans to address auditability of financial systems. Ongoing budget pressure has increased the tendency to take an incremental approach to streamlining and enhancing government business operations.

Agencies making the largest investments in modernizations efforts include the Department of Defense, Treasury, and Veterans Affairs. Going forward, agencies are looking to continue advancing business system capabilities through mobile access and business analytics. The role of cloud environments is expected to expand, as only a small percentage of systems have completed migrated to cloud environments. Further exploration of the government initiatives targeting modernization of business systems is available in the recent Federal Industry Analysis report [Federal Enterprise Business Systems, 2015](#).

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