

FEDERAL BUSINESS SYSTEMS MODERNIZATION:

Readiness, Reality, and the Road Ahead

A new study comparing modernization efforts at federal agencies versus commercial organizations reveals key gaps in transitioning from legacy business systems to modern, cloud-based platforms — and opportunities to accelerate progress.

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INTRODUCTION

Federal agencies and large commercial organizations face similar operational complexity, regulatory demands, and scale. Yet their progress in modernizing business management systems diverge sharply. Understanding where and why federal progress differs from commercial peers reveals not just constraints — but concrete opportunities for acceleration.

To help federal leaders better understand the dynamics impacting their modernization progress — and opportunities for accelerating their efforts — Scoop News Group (SNG) surveyed business, financial, HR, IT, and supply chain executives across U.S. government agencies about their current business systems capabilities, their readiness to adopt modern, cloud-enabled platforms and what's impeding their progress.

To gain additional perspective, SNG also surveyed executives at large commercial organizations to gauge how their progress and experience compares with that of government agencies. We also took a deeper look at where gaps in perceptions emerge between users and system owners. The differences between — and gaps within — government and commercial organizations revealed in the following pages suggest where opportunities exist to speed up adoption.

More specifically, the study examines and compares how executives at federal and commercial organizations view:

- The current progress of their business system modernization.
- Anticipated versus realized outcomes of modernization.
- Their organization's readiness — and leadership's commitment — to modernize.
- Barriers to the adoption of modern, fit-to-standard (best-practice) platforms.
- The confidence in their organization's data and its impact on decision-making.
- The impact that legacy and isolated systems impose on operational workloads.
- Expected modernization timelines.
- What would help government agencies most to accelerate modernization efforts.

The study's findings are based on a targeted survey conducted in December 2025 and completed by 278 pre-qualified executives — 189 (68%) at U.S. government agencies and 89 (32%) at large commercial organizations with annual revenues exceeding \$1 billion. The respondents consisted of **37% business/program management leaders**, **28% IT leaders**, **15% human resources leaders**, **11% financial leaders** and **9% procurement/supply chain leaders**.



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EXECUTIVE SUMMARY I

U.S. Government agencies are barreling into the AI age facing the same fundamental needs to standardize their data processes and modernize their business management systems as commercial organizations. Senior executives at federal agencies, however, also face deeper and more intractable structural challenges.

SNG's research confirms that while federal agencies are moving intentionally to embrace and adopt modern, cloud-enabled and standardized business management platforms, their progress is hampered by additional factors that commercial organizations have an easier time overcoming.

The differences or gaps between what federal agencies are experiencing compared to commercial organizations offer important clues on where senior leaders in government can focus their strategic attention and resources to accelerate their journey to more modern and productive platforms.

Among the key findings in the study:

1. Government agencies indeed lag behind commercial organizations in adopting modern, cloud-based, “fit-to-standard” (best practices) business management platforms. Looking deeper, it's clear the reasons are less about the technology and more about an intentional journey encumbered by a combination of human factors that require greater federal leadership.

2. Federal modernization is primarily constrained by funding and policy uncertainty – not belief. Commitment is not the constraining factor – inconsistent execution is. Federal agency leaders recognize the strategic importance of modernization but struggle to convert their intent into effective delivery. While both sectors point to legacy technologies and data quality as significant ongoing constraints, federal leaders also struggle to a greater degree with inconsistent funding, policy guidance and leadership commitment.

3. Data readiness remains the decisive differentiator. Respondents in both sectors struggle with data inconsistency and system isolation in their efforts to modernize, though commercial organizations report greater confidence in their data foundations than their government counterparts. Leaders in both camps made clear: Improved data quality and visibility aren't just the destination of business system modernization; they're the enabler of faster modernization.

EXECUTIVE SUMMARY II

4. Manual reconciliation work remains a hidden tax on operational efficiency, but offers the fastest ROI lever.

Siloed systems and limited data visibility continue to drive repetitive workarounds and manual reconciliation across organizations in both sectors, but more so in government. Four in 10 federal respondents said “16-to-25%, or more” of their agency’s work is spent manually reconciling information across their various business systems. Reducing these constraints through more modern, standardized business systems offers significant near-term efficiency gains, faster decision-making and greater mission agility for government.

5. Commercial organizations demonstrate greater cultural willingness to adopt modern, standardized business platforms in place of existing customized systems compared to government agencies.

A higher proportion of federal workers were seen as neutral or indifferent about modernization than more-willing commercial workers, reflecting lingering skepticism about modernization promises, given users’ experience with the uneven delivery of modernized systems. That continues to restrain momentum. However, stronger leadership, workforce engagement and training would help accelerate adoption rates.

6. Perception gaps between users and decision-makers offer tactical opportunities.

Business system owners and decision-makers see strategic need, momentum, and potential. System users, in contrast, experience friction, fragmentation, and funding uncertainty, particularly at federal agencies. Federal leaders who focus on those gaps – particularly data readiness, workforce training and capacity, and on observable outcomes – can significantly accelerate modernization momentum without waiting for new technology.



PART 1



THE GAPS BETWEEN FEDERAL AGENCIES AND COMMERCIAL ORGANIZATIONS

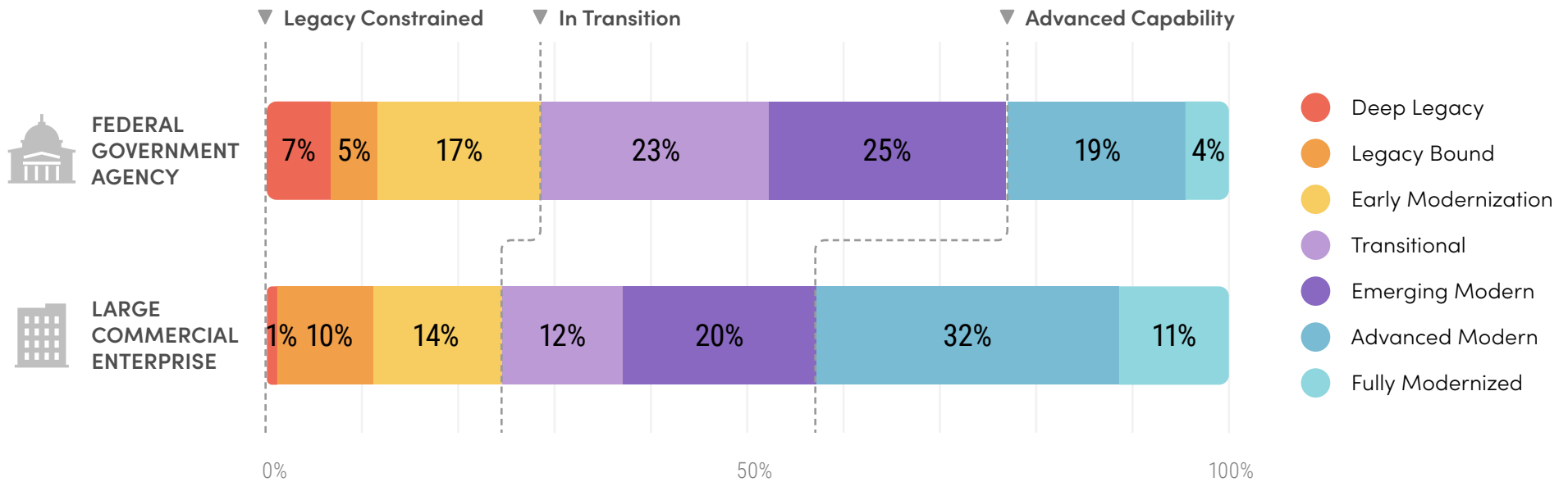
To create a snapshot of how federal and commercial leaders view the capabilities of their current business management systems, we asked business, financial, human resources, supply chain and IT leaders to identify which profile best described their primary business management systems using the following 7-point scale, then compared their answers:

	DESCRIPTION	MODERNIZATION PROFILE
1	Heavily customized, on-premises legacy system with minimal integration; data is siloed and manually reconciled.	DEEP LEGACY
2	Primarily legacy environment with outdated interfaces and poor data connectivity; automation and visibility are limited.	LEGACY-BOUND
3	Older system with a few modular or partially integrated components; data sharing remains inconsistent across functions.	EARLY MODERNIZATION
4	Transitional mix of legacy and modern modules; some process integration achieved but data still fragmented.	TRANSITIONAL
5	Mostly modern, configurable platform with growing cloud use and improved data consistency across finance and HR.	EMERGING MODERN
6	Predominantly cloud-based system with strong integration, real-time data sharing, and expanded analytics capability.	ADVANCED MODERN
7	Fully modern, unified ERP platform delivering seamless cross-functional integration and real-time, single-source-of-truth data.	FULLY MODERNIZED

GAP #1:

Depth and Pace of Modern Platform Adoption

Federal agencies trail their commercial counterparts in achieving advanced capabilities.



WHAT THE DATA SHOWS

- **Pace of Adoption:** Commercial organizations are significantly further ahead of government agencies, with **43%** describing their systems as “advanced” or “fully modern” compared to only **23%** of federal agencies.
- Nearly **1 in 3 federal agencies** still operate in legacy-constrained environments.
- Federal agencies are concentrated in the transition zone.

WHY IT MATTERS

- Being “in transition” too long locks agencies into hybrid complexity: dual costs, partial integration, and limited AI readiness.
- This creates modernization fatigue without delivering full value.

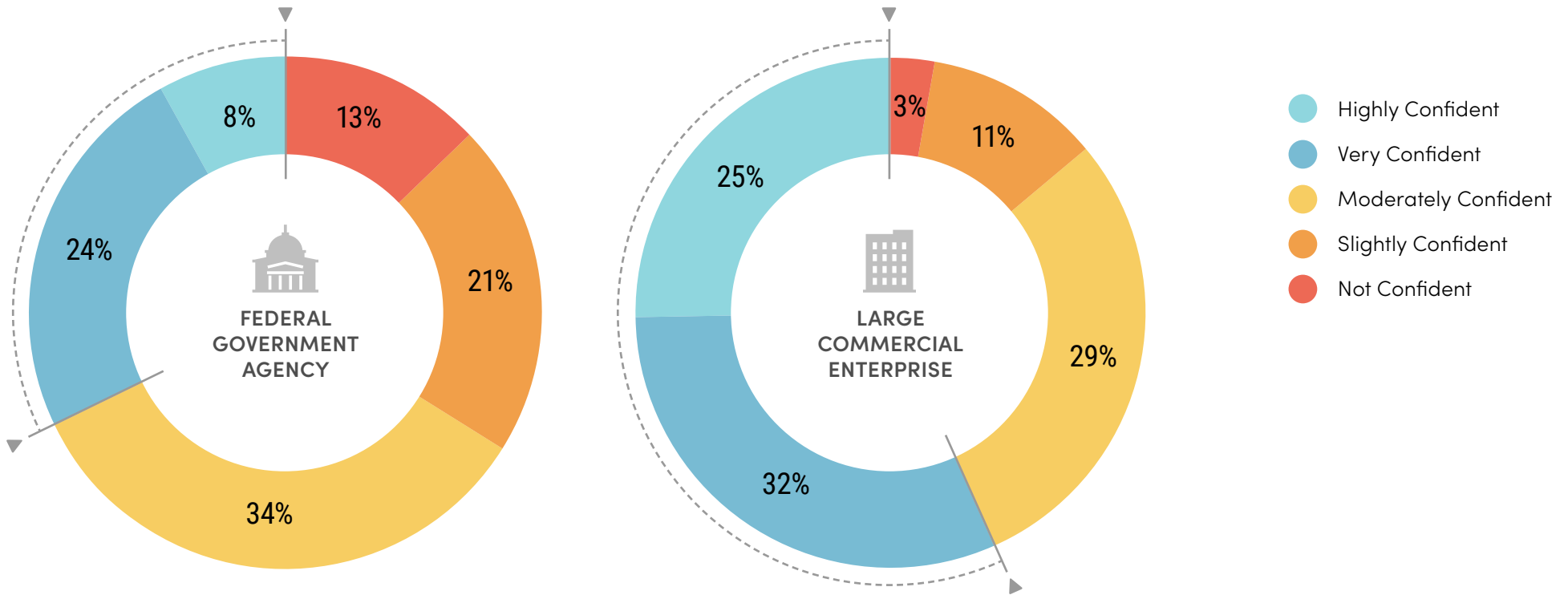
TAKEAWAY:

Legacy Constraints — Federal agencies are further along in adopting modern cloud-enabled systems than many might suspect. But they are not keeping pace with similarly sized commercial organizations in modernization progress.

GAP #2:

Data Confidence: The Largest Strategic Risk

Widely distributed data and isolated systems pose a fundamental drag on modernization momentum.



WHAT THE DATA SHOWS

- **56% of commercial leaders** are confident their data is AI-ready vs. **32% of federal leaders**.
- Federal users are even less confident in agency data compared to system decision-makers.
- Both sectors suffer from silos — but commercial firms trust their foundations more.

WHY IT MATTERS

- AI ambition in government is outpacing the operational reality of data trustworthiness, creating new risks.
- Low data trust erodes adoption, slows decision-making, and heightens enterprise risks.

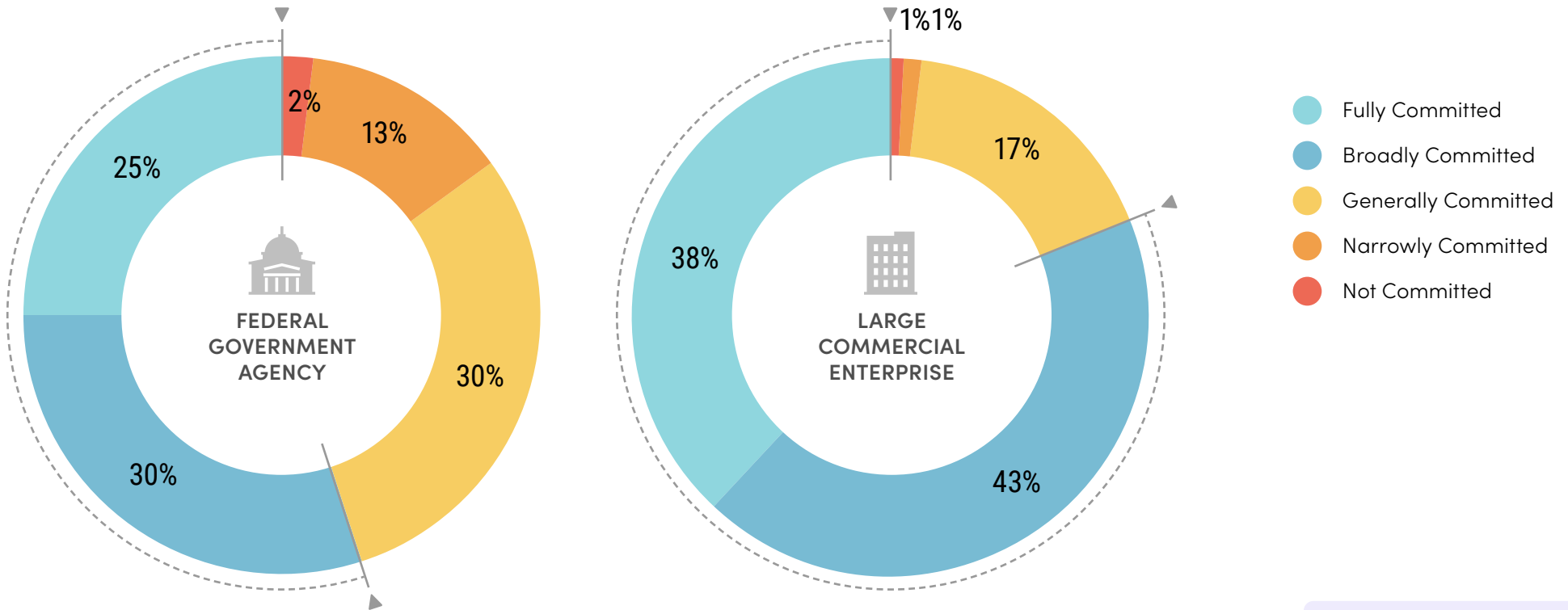
TAKEAWAY:

AI's Dependence on Data — Data quality isn't just a goal. It's the engine for AI and modernization. To succeed in automation, leaders must prioritize high-quality data and align their teams around its value.

GAP #3:

Leadership Commitment vs. Execution Credibility

Intent and incremental gains aren't always translating to the perception of leadership commitment.



WHAT THE DATA SHOWS

- **81% of commercial respondents** see strong leadership commitment vs. **55% of federal respondents**.
- The 26-point gap suggests commercial leaders are executing more credibly than federal leaders.

WHY IT MATTERS

- Perceived wavering commitment slows adoption more than technical issues.
- Users disengage when modernization feels episodic or reversible.

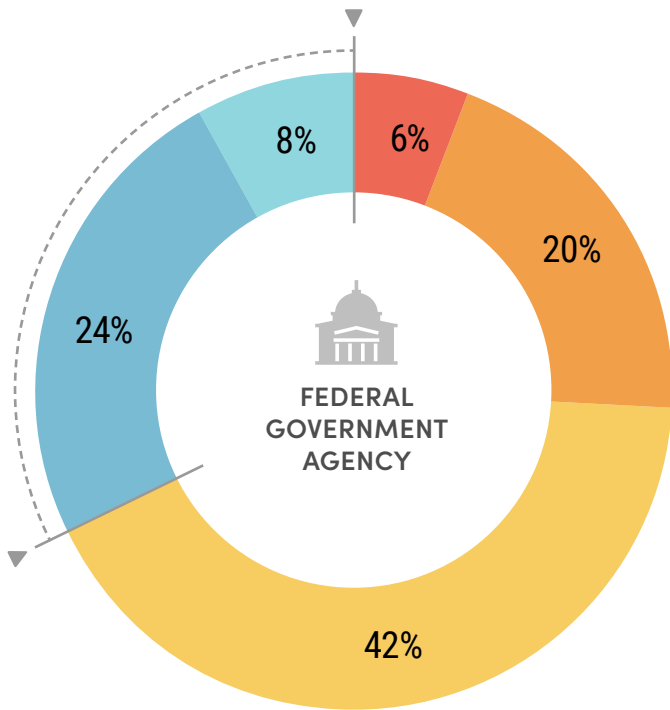
TAKEAWAY:

Operational Focus — Federal leaders should offset budget and policy constraints by reducing system friction and clearly communicating progress. Failing to show leadership lowers engagement and stalls momentum.

GAP #4:

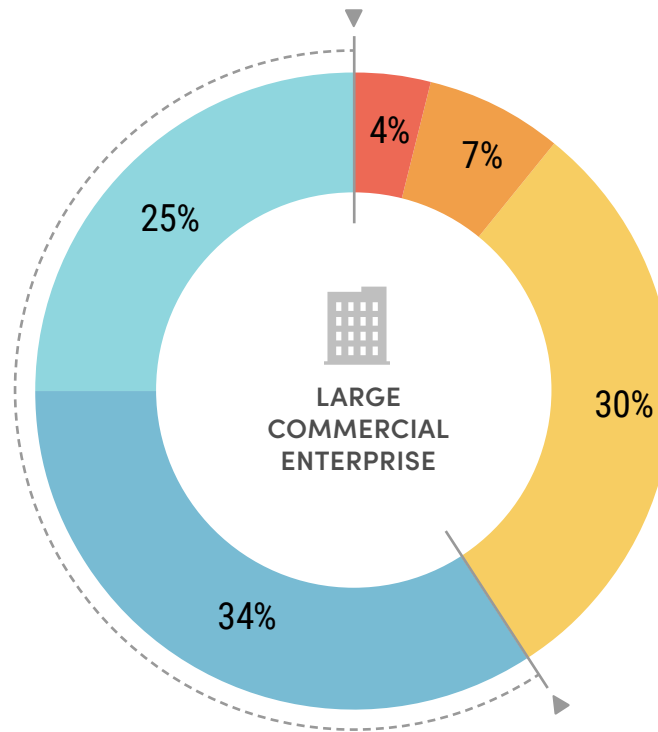
Organizational Readiness and Workforce Enablement

Workforce preparedness is the primary speed limiter to modernization



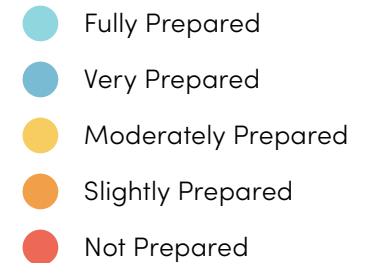
WHAT THE DATA SHOWS

- **58% of commercial organizations** say they are very or fully prepared vs. **32% of federal agencies**.
- Decision-makers consistently tend to rate readiness far higher than users.



WHY IT MATTERS

- Transformation speed is constrained by **human capacity**, not software.
- Readiness gaps delay realization of benefits even after go-live.



TAKEAWAY:



Execution Over Commitment — Execution is the primary constraint, not commitment. Success requires funding and prioritizing workforce engagement and training throughout the modernization process.

GAP #5:

External Barriers to Modern Platform Adoption

Both sectors face modernization challenges. Federal agencies face more stubborn barriers.

TOP BARRIERS TO MODERNIZATION

 FEDERAL VS.  COMMERCIAL

Budget / funding constraints	53%	33%
Legacy technology dependencies	42%	44%
Policy or regulatory restrictions	42%	27%
Workforce skill gaps / change resistance	40%	29%
Competing modernization prioritization	29%	33%
Data quality & integration challenges	27%	44%
Lack of leadership alignment	25%	25%

WHAT THE DATA SHOWS

- **Both sectors** struggle with technical debt and competing priorities.
- **Federal agencies** struggle by wider margins with budget constraints (**53%**), policy or regulatory restrictions (**42%**) and workforce skill gaps (**40%**) than their commercial counterparts.

WHY IT MATTERS

- Federal modernization is as much a leadership challenge as it is technology issue.

- **Commercial organizations** cite data quality and integration as a bigger challenge than federal agencies.
- Circled numbers above indicate the higher percentage between the two groups.

- Barriers often appear more restrictive than in fact they are and can be managed with effective leadership.

TAKEAWAY:

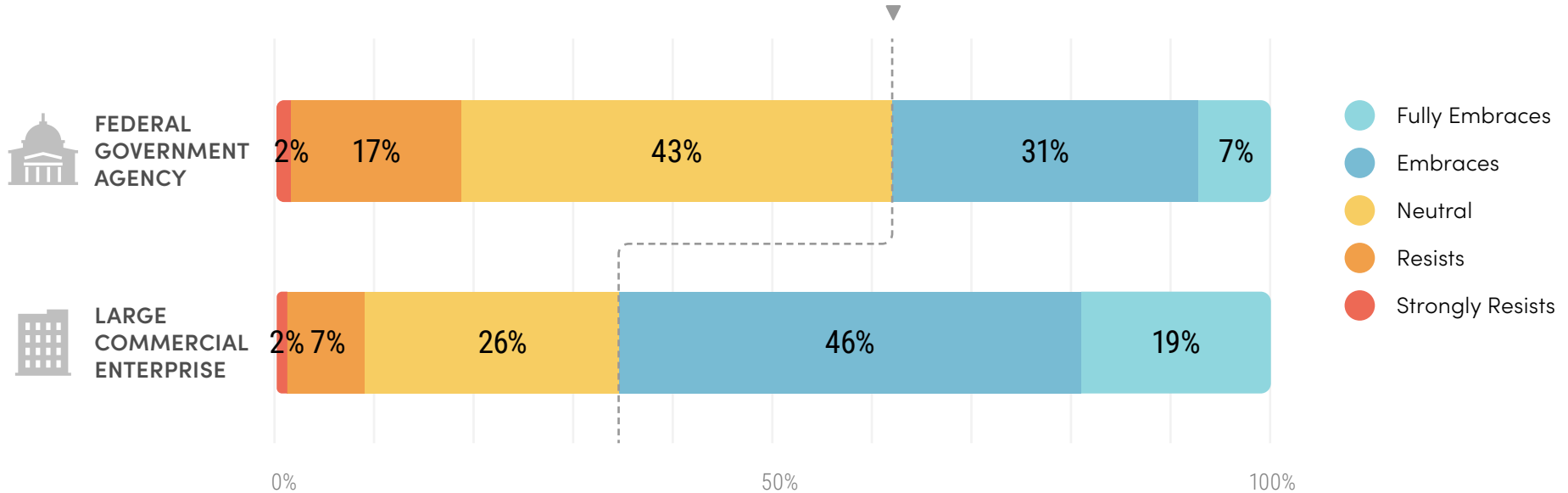
Sector Barriers — Federal modernization faces policy/structural barriers, whereas commercial efforts struggle with data issues but excel in organizational buy-in.

GAP #6:

Internal Resistance: Cultural Acceptance of Fit-to-Standard Platforms

Commercial cultures are nearly twice as likely to embrace “fit-to-standard” platforms than federal cultures.

CULTURAL ACCEPTANCE OF FIT-TO-STANDARD PLATFORMS



WHAT THE DATA SHOWS

- **65% of commercial cultures** embrace standardized platforms vs. **38% of federal cultures**.
- Federal users remain mostly neutral or skew resistant to standardized platforms.

WHY IT MATTERS

- Customization slows modernization exponentially.
- Cultural neutrality is not benign – it is a hidden drag on timelines and ROI.

TAKEAWAY:

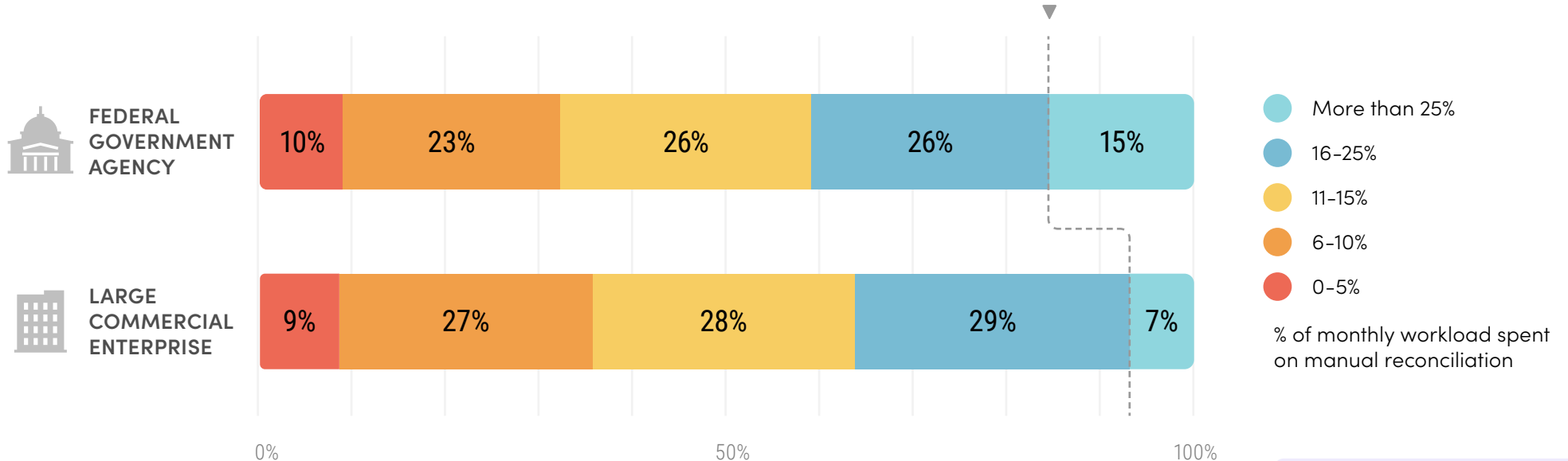
Workforce Sentiment – Federal workers are more broadly indifferent to standardized platforms, in part due to past modernization missteps. That requires stronger leadership attention, greater training, and more consistent execution.

GAP #7:

Manual Reconciliation Work: The Hidden Tax on Operations

Federal agencies spend significantly more time on manual data reconciliation than commercial organizations.

MONTHLY WORKLOAD % SPENT ON DATA RECONCILIATION, CORRECTION



WHAT THE DATA SHOWS

- **41% of federal respondents** say “16–25% or more” of their monthly workload is spent manual correcting or reconciling business data in part due to inefficient system integration.
- Federal agencies are **twice as likely** as commercial firms to report workloads above 25%.
- Users see a significantly greater workload burden from inefficient systems than system decision-makers do.

WHY IT MATTERS

- Manual reconciliation drives burnout, skepticism, and resistance.
- It is the **fastest, most tangible ROI lever** for modernization.

TAKEAWAY:

The Productivity Tax — Manual reconciliation is a major productivity tax on federal agencies, costing billions. Reducing this burden would save significant time and money while improving decision-making.

GAP #8:

Future Timelines and Certainty

The slower pace of adoption at federal agencies means longer journeys, delayed benefits and less certainty.

EXPECT TO ACHIEVE FULL MODERNIZATION



FEDERAL

VS.



COMMERCIAL

Within 1 year	8%	15%
In 2 to 3 years	27%	38%
In 4 to 5 years	27%	21%
Beyond 5 years	19%	11%
Unsure	17%	3%

WHAT THE DATA SHOWS

- **53% of commercial respondents** expect to have a modern, fully integrated business management environment within **three years or less**.
- **Only 33% of federal respondents** expect to achieve that goal in the same time frame. And **46%** expect it will take **four or more** years.
- **17% of federal leaders** are unsure when modernization will be complete vs. **3% in commercial organizations**.
- Circled numbers above indicate the higher percentage between the two groups.

WHY IT MATTERS

- Uncertainty undermines momentum and accountability.
- Indefinite timelines normalize delay.

TAKEAWAY:

The Cost of Delay — Long implementation horizons for integrated systems delay cost savings and increase uncertainty regarding mission success.

PART 2

THE GAPS BETWEEN USERS AND SYSTEM DECISION-MAKERS

To better understand some of the fault lines impeding the progress of business systems modernization, we also looked at how the views of “users” differ from those of business system “owners and decision makers” within organizations.



GAP #9:

Realized vs. Anticipated Outcomes – Value Leakage

Expectations typically exceeded reality in both groups – but users didn't see the same reality as decision makers.

MOST OBSERVED OUTCOMES

FEDERAL VS. COMMERCIAL DECISION-MAKERS VS. USERS

	FEDERAL	COMMERCIAL	DECISION-MAKERS	USERS
Improved data quality & visibility	52%	52%	55%	42%
Reduced administrative burden	44%	34%	45%	36%
Enhanced cybersecurity & compliance	34%	33%	39%	27%
Faster decision-making	32%	34%	36%	24%
Readiness for AI & automation	28%	45%	34%	29%
Better workforce/ talent management	22%	33%	29%	27%

○ Where the views of one group significantly outweigh the other's.

WHAT THE DATA SHOWS

- **Users** report lower realization of benefits than **decision makers** across nearly every category.
- **45% of commercial respondents** said their workforce saw increased "readiness for AI and automation" compared to **28% of federal respondents** – a 17 point gap.
- **Federal respondents**, however, reported seeing higher-than-average gains in "reduced administrative burden."

WHY IT MATTERS

- Users experience uneven, incremental gains, not transformation.
- Decision-makers risk credibility if they over-promise benefits or fail to engage users realistically.

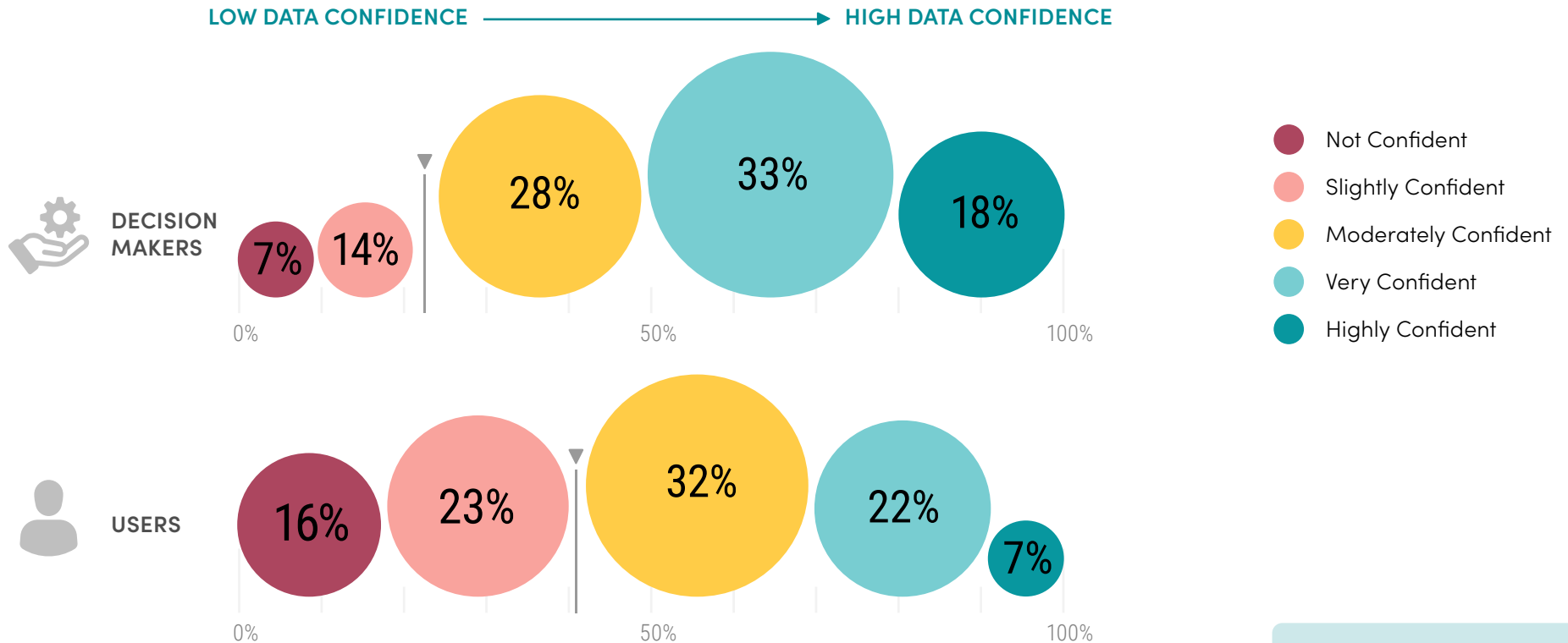
WHAT FEDERAL LEADERS CAN DO:

1. Tie modernization success metrics to **user-observable outcomes**, not just platform capabilities.
2. Prioritize process simplification before layering in advanced analytics or automation. Elevate **readiness metrics** (skills, adoption, confidence) alongside cost and schedule KPIs.
3. Require vendors and integrators to demonstrate **time savings, reduced errors or eliminated workflows**.

GAP #10:

Data Confidence vs. Readiness for AI – Largest Strategic Risk

Users are less confident in their organization's data than system owners and decision makers.



WHAT THE DATA SHOWS

- **39% of users** express “slight or no confidence” that their organization’s business data is clean, consistent and ready to support AI or advanced analytics compared to **21% of system decision-makers** – a 18-point gap.

WHY IT MATTERS

- AI ambition in government by system owners is at risk of running ahead of data reality.
- Low data trust erodes adoption, slows decision-making, and heightens enterprise risks.

WHAT FEDERAL LEADERS CAN DO:

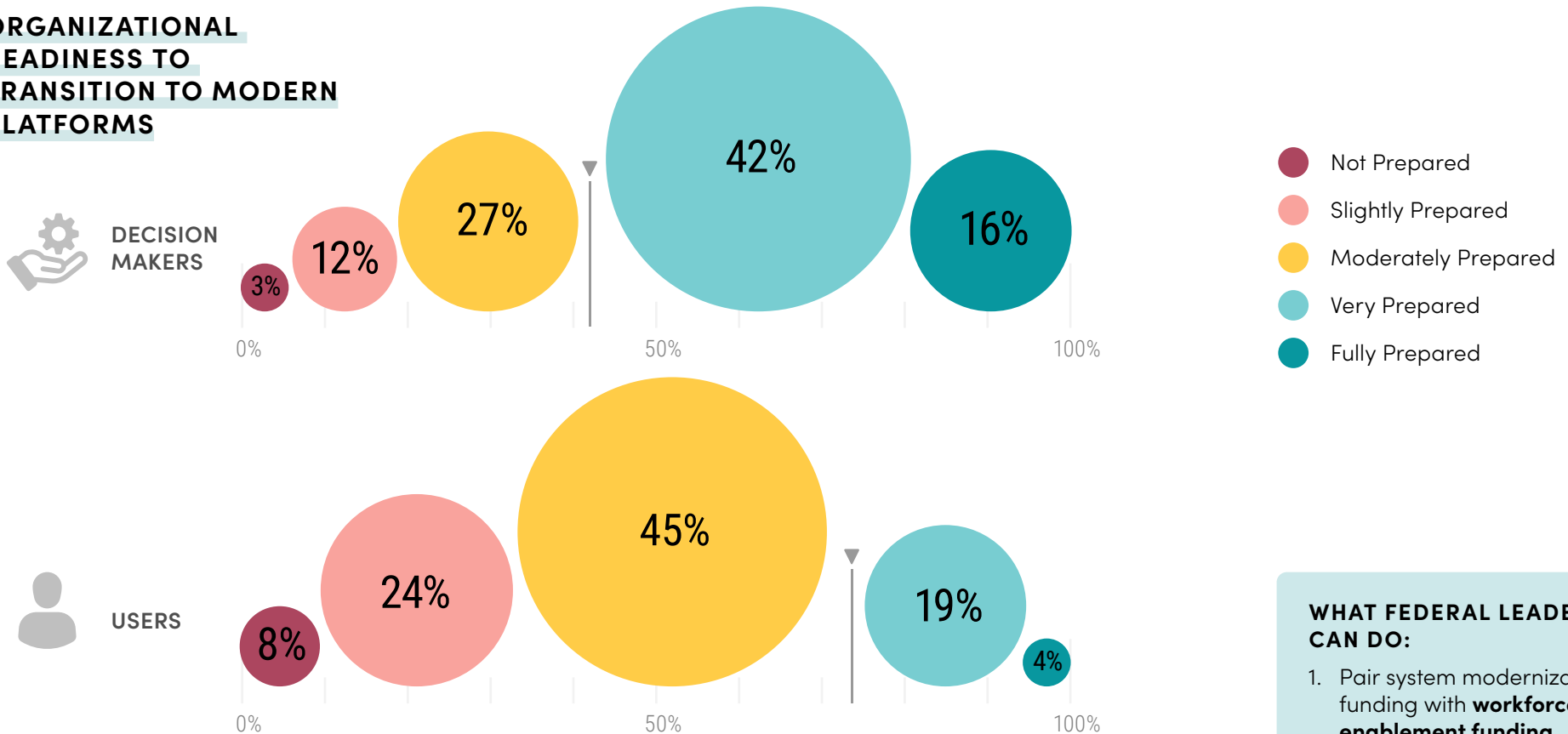
1. Reframe data cleanup as a **mission enabler**, not an IT hygiene task.
2. Fund **data governance, lineage** and **master-data programs** alongside AI pilots.
3. Require **user-validated data readiness benchmarks** before scaling AI use cases.

GAP #11:

Organizational Readiness and Capacity – Primary Speed Limiter

Workforce preparedness determines capacity. Users see less capacity to modernize than decision-makers.

ORGANIZATIONAL READINESS TO TRANSITION TO MODERN PLATFORMS



WHAT THE DATA SHOWS

- **58% of system decision-makers** believe their organizations are “very or fully prepared” (in terms of skills and resources) to transition from its current business systems to a modern, unified, cloud-enabled platform.
- **Only 23% of users** believe that.

WHY IT MATTERS

- Transformation speed is constrained by **human capacity**, not software.
- Readiness gaps delay realization of benefits even after newer systems are up and running.

WHAT FEDERAL LEADERS CAN DO:

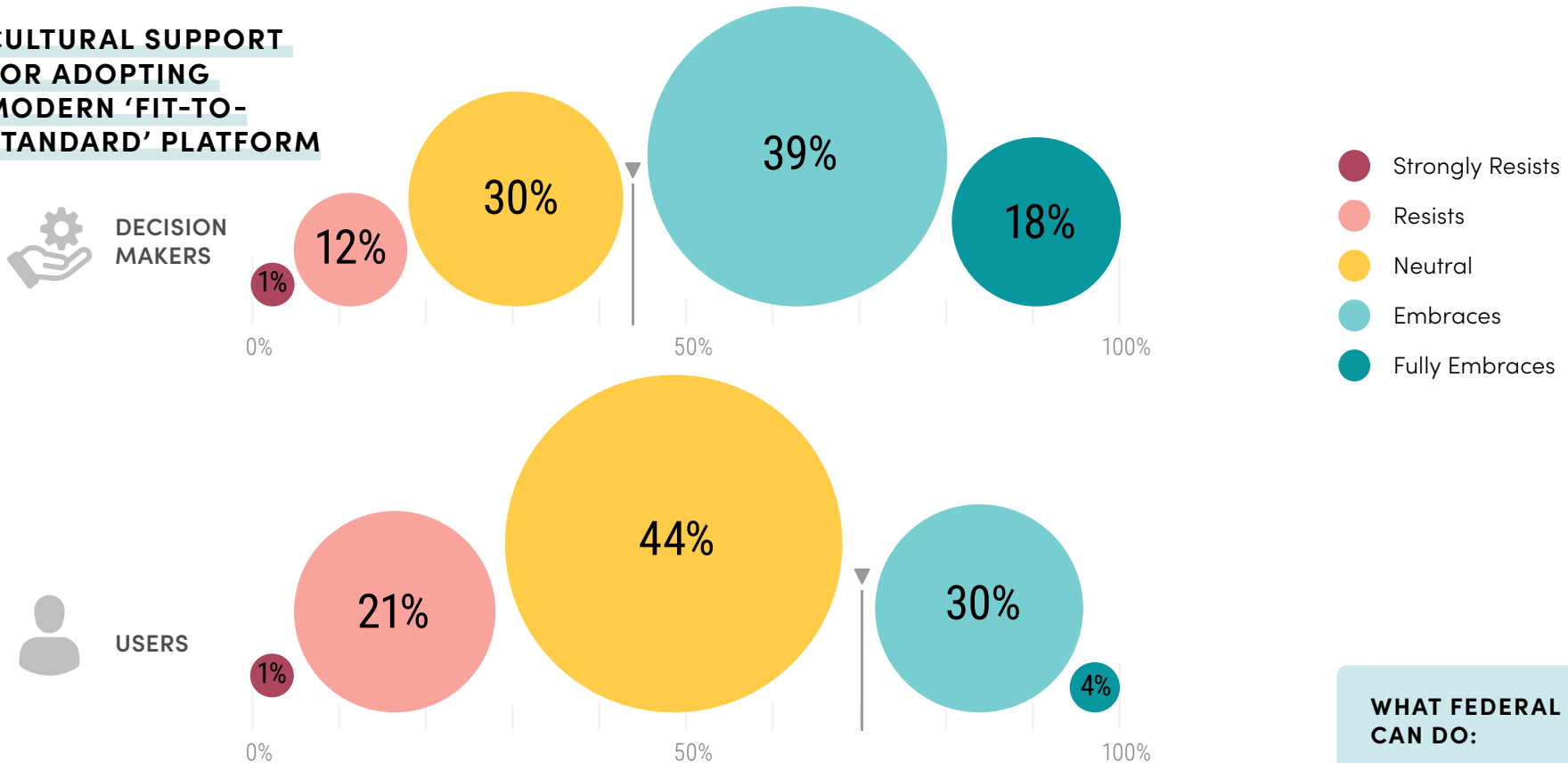
1. Pair system modernization funding with **workforce enablement funding**.
2. Treat enterprise systems and transformation as **organizational change programs**, not a system upgrade.
3. Elevate **readiness metrics** (skills, adoption, confidence) alongside cost and schedule KPIs.

GAP #12:

Cultural Embrace of Fit-to-Standard Platforms – Structural Drag

Users are not as convinced of the benefits of transitioning to a modern “fit-to-standard” platform.

CULTURAL SUPPORT FOR ADOPTING MODERN ‘FIT-TO-STANDARD’ PLATFORM



WHAT THE DATA SHOWS

- **66% of users** believe their organization’s cultures are either indifferent or resistant to adopting commercial “fit-to-standard” business platforms rather than staying with customized systems.
- That’s in contrast to **43% of decision-makers** —**57%** of whom believe their cultures will support such systems.

WHY IT MATTERS

- Cultural alignment is a force multiplier — or a drag—on the speed of modernization.
- Delays in making process standardization a mandate extends the horizon for realizing its benefits.

WHAT FEDERAL LEADERS CAN DO:

1. Make process standardization a leadership expectation and mandate, not an IT preference.
2. Explicitly reward teams for eliminating customization, not perfecting it.
3. Use policy and governance to protect standard workflows from customization creep.

PART 3



IMPLICATIONS AND RECOMMENDATIONS FOR FEDERAL LEADERS

We asked government survey respondents, “Which factors would most accelerate their agency’s business management system modernization?” Federal leaders and employees were strongly aligned on the most critical factors: sustained, dedicated funding, clear leadership direction, expanded training, and access to shared services and standardized, preconfigured solutions.

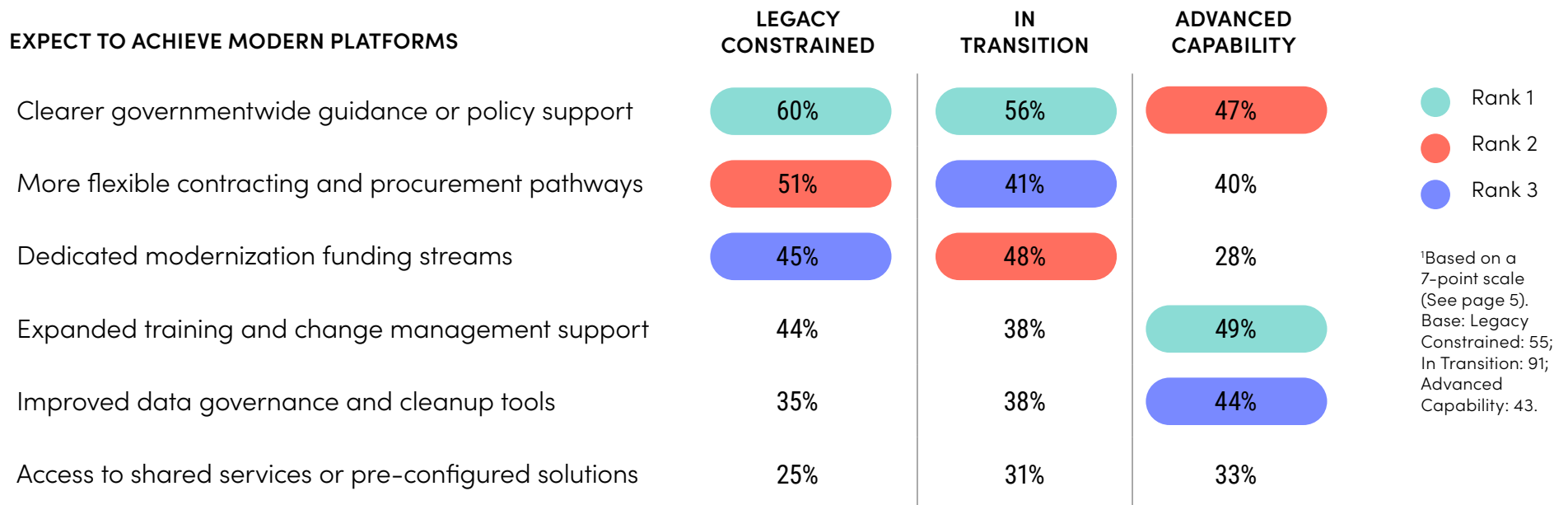
Implications and Recommendations for Federal Leaders

Naturally, those priorities vary by agency modernization maturity. Understanding those differences can help agency leaders – and technology providers – more clearly identify where to channel their resources.

FOR EXAMPLE

- Leaders at agencies with **more advanced platforms** say they have a greater need for “expanded training.”
- In contrast, agencies with **more legacy-constrained systems** place a higher priority on “clearer government guidance” and “more flexible contracting procurement pathways.”

Top Factors to Accelerate Modernization - By Agency System Capability/Maturity¹



Finally, we asked federal agency decision-makers and users to identify a single action that would move the needle most in accelerating government business system modernization.

A review of nearly 190 written responses yielded six themes:

DEDICATED, CONSISTENT FUNDING (MOST CITED DRIVER)

Modernization efforts stall when funding is short-term, uncertain, or deprioritized relative to mission systems. Respondents overwhelmingly call for multi-year, protected funding streams.

CLEAR LEADERSHIP DIRECTION AND ACCOUNTABILITY

Many respondents argue modernization must be driven top-down—through OMB direction, executive orders, or government-wide mandates—with leaders held accountable for results.

ENTERPRISE-WIDE STANDARDS AND SHARED PLATFORMS

Fragmentation across agencies is viewed as a significant inhibitor. Respondents strongly support standardized policies, shared services, and common cloud-based platforms for HR, financials, and procurement.

TRAINING, CHANGE MANAGEMENT, AND WORKFORCE ENABLEMENT

Adoption matters as much as acquisition. Respondents stress the need for hands-on training and leadership engagement to close skills gaps and ensure systems deliver real productivity gains.

AI AS AN ACCELERATOR—WITH GUARDRAILS

AI is widely regarded as a catalyst for modernization, particularly in automation, analytics, and efficiency. At the same time, respondents emphasize the need for security, reliability, and authorization to operate.

PROCUREMENT AND POLICY REFORM

FAR complexity, lengthy procurement cycles, and regulatory barriers are viewed as slowing modernization, though secondary to funding and leadership issues.



The Biggest Opportunities for Federal Leaders to Boost Modernization Efforts

FOR SENIOR AGENCY LEADERS:

- Attack manual work first. Identify ways to reduce administrative burdens.
- Align AI ambition with data reality. Prioritize data quality before scaling with AI.
- Fund readiness as aggressively as platforms. Prioritize training and engagement.
- Make standardization non-negotiable. Wean workers off customized systems.
- Prove progress through near-term wins. Celebrate incremental milestones.
- Close the perception gaps between what leaders believe is happening and what users are experiencing through more consistent engagement and communication.

FOR CIOS + IT LEADERS:

- Lead enterprise integration, not bespoke systems.
- Standardize platforms; reduce fragmentation.
- Advance AI with operational credibility.

FOR CFOS + FINANCIAL MANAGEMENT LEADERS:

- Enable predictable lifecycle funding.
- Treat business systems as mission enablers, not overhead.
- Measure Return on Mission, through productivity and risk reduction, not just investment

FOR CHCOS + HR LEADERS

- Make workforce readiness non-negotiable
- Use modern platforms to enable data-driven talent strategies
- Champion adoption and change management.

FOR VENDORS + INDUSTRY PARTNERS

- Focus on outcomes over features.
- Align solutions with enterprise readiness and resilience.
- Support workforce adoption; it's critical to demonstrating your value proposition.
- Ensure AI enablement is secure, reliable, and trustworthy.



The road to modernizing federal agency business management systems is ultimately never-ending. But federal agencies are at a critical inflection point to transition away from customized, legacy systems to advanced, cloud-based, “fit-to-standard” platforms that can deliver single-source-of-truth data in real time.

The challenge for federal leaders now is not whether to modernize or how ready they are, but how decisively they are willing to act. Enterprise mandates, sustained investment and workforce training and enablement and genuine engagement will all make the difference between modernization theater and meaningful transformation.

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