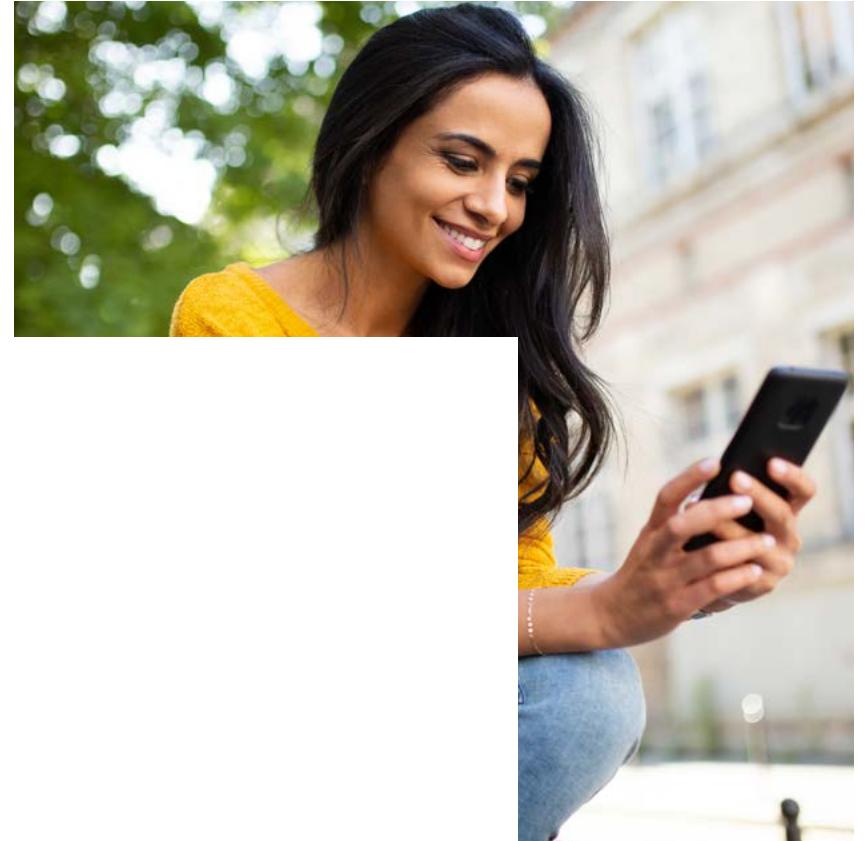# Top trends to watch in State, Provincial & Local Government

Read on for CGI client insights on how to accelerate your digital journey with greater agility

CGI

Focusing on citizens and the workforce

Impact of macro trends

The highest impact macroeconomic trend for state, provincial and local government clients in 2022 is technology and digital acceleration due to rising citizen digital expectations. The COVID-19 pandemic accelerated development and adoption of virtual delivery models, which now are becoming business as usual.

Changing social demographics, including aging populations and talent shortages, is the next highest impact macro trend, followed by climate change and the energy transition. More executives in this sector see sustainability as core to value creation than in the national government sector.

Top of mind for clients

Top trends and priorities continue to center around improving citizen services and experiences.

The future of work emerges as a new top trend, especially for business leaders, pointing to the challenges of building human relationships in pandemic-driven virtual work models. Additionally, 90% are experiencing IT talent recruitment or retention challenges.

Culture change and change management are top barriers to achieving business priorities.

Cybersecurity persists as a top concern and priority, reflecting continued ransomware attacks and exposures of personal information.

While 62% of state, provincial and local government executives say digitization has a high impact on their business models, only 15% say their business models are highly agile to address digitization. Just 21% say their organization is producing expected results from digital strategies, below the all-industry average of 25%.

56% say legacy systems pose significant challenges to implementing digital strategies, while 59% have modernized less than 20% of their applications.

At the same time, this sector shows significant growth in the use of IaaS, PaaS and SaaS, and this growth is even higher among digital leaders.

About the insights

Each year, we meet with client executives from around the world to get their views on the trends affecting their organizations and industries. Through the CGI Voice of Our Clients, we analyze these findings to provide actionable insights by industry to benchmark best practices, including the attributes of digital leaders.

In 2022, we met with 1,675 business and IT executives. **This summary report shares sample insights from 149 state, provincial and local government executives.**

Interview demographics

Business leaders 40%		60% IT leaders
C-level 59%		41% Ops-level
Europe 52%		48% North America
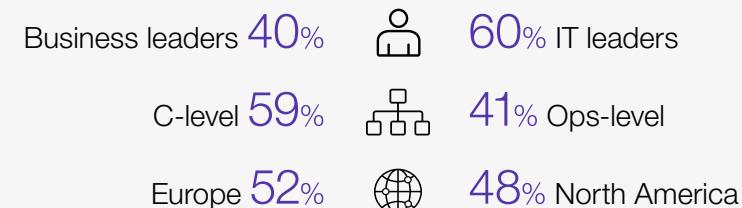
Top trends & priorities

Digitization to improve the citizen experience, along with cybersecurity, stay in focus.

Key takeaways

The future of work is a new top trend and collaboration rises in importance.

	Top industry trends	Top business priorities	Top IT priorities
1	Becoming digital organizations to meet customer / citizen expectations	Improve citizen services and experience	Digitize and automate business processes to deliver better end-to-end citizen services and reduce costs
2	Protecting through cybersecurity	Protect the organization as cyber risks mature	Drive IT modernization to improve efficiency
3	Future of work	Collaborate across the boundaries of our organization	Protect through cybersecurity

The industry trends capture key drivers with the greatest impact on the clients' industry. The business priorities represent how clients are addressing the industry trends, and the IT priorities reflect the technology areas of focus to address the trends and achieve the business priorities.

Digital progress in State, Provincial & Local Government

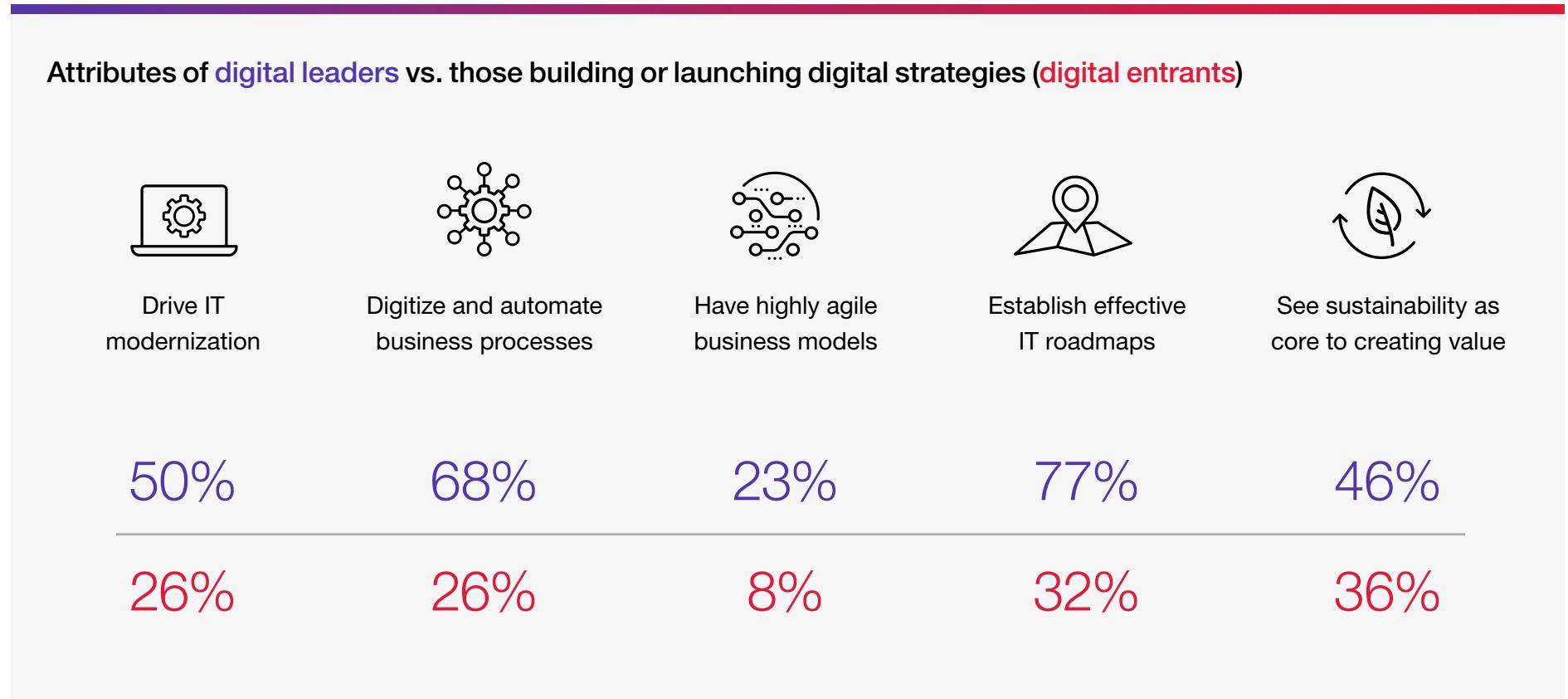Last year, clients in this sector progressed markedly in achieving expected results from digital strategies.

This year, progress has slowed, with just a 3 percentage point increase to 21%, and these results continue to lag the all-industry average of 25%.

Executives who say their organizations are producing expected results from digital strategies

8%	8%	19%	21%
2019	2020	2021	2022

Digital leaders in State, Provincial & Local government

In examining the 21% of executives in this sector who are producing results from digital strategies, the digital leaders, some common attributes emerge.

The table compares responses to questions from the digital leaders to those from executives whose organizations are still building or launching digital strategies (digital entrants).

Attributes of digital leaders vs. those building or launching digital strategies (digital entrants)

Drive IT modernization	Digitize and automate business processes	Have highly agile business models	Establish effective IT roadmaps	See sustainability as core to creating value
50%	68%	23%	77%	46%
26%	26%	8%	32%	36%

Key findings from our interviews with State, Provincial and Local Government executives

1.

Digitization is vital to citizen-centricity.

Improving the citizen experience is the top trend, business priority and IT priority once again for government executives in this sector. Yet only 21% say they are producing expected results from digitization strategies, lagging most other industries.

2.

Achieving priorities takes a focus on people.

Cultural change and change management is the top constraint to achieving business priorities, according to 68% of executives. Where culture is not the top constraint, it is attracting and retaining talent.

3.

Platform usage grows to advance the digital journey.

Clients using IaaS, PaaS and SaaS for more than 20% of their application portfolio expect to at least double use of these platforms in 2 years:

- Migrating to IaaS or PaaS rises from 23% now to 49% in 2 years

- Migrating to SaaS rises from 20% now to 41% in 2 years

4.

Future of work emerges as top trend.

Pandemic-driven work model changes and their associated talent opportunities and challenges are top of mind as "future of work" enters the top-five industry trends this year.

5.

Agility is a hallmark of digital leaders.

Only 15% of executives in this sector say their business model is highly agile for digitization. When it comes to digital leaders, the number rises to 23%; but, for digital entrants, is only 8%.

6.

Aligning business and IT can accelerate progress.

Only 34% say their IT and business operations are highly aligned to support their strategy; and only 22% say those operations are deeply integrated for driving execution of the strategy.

7.

Legacy systems hinder progress.

56% say legacy systems are very challenging to implementing their digital strategies.

At the same time, 59% have modernized less than 20% of their applications today. Only 28% have modernized more than 20%; however, 63% plan to do so over the next 2 years.

8.

Cybersecurity sharpens in focus.

Cybersecurity rises as a business priority to rank second. 50% of executives say they have an enterprise cyber strategy in place. Another 33% say their strategy extends to the external ecosystem. Yet only 22% are seeing results from those strategies.

9.

Digital leaders manage fewer cloud providers.

Only 28% of executives in this sector say they manage multiple cloud solutions holistically.

Digital leaders average 4.1 cloud providers compared to digital entrants with 5.7. Digital leaders also have markedly fewer ecosystem partners overall – 5.8 vs. 15.5 for digital entrants.

10.

Sustainability is core to value creation for many.

40% of executives view sustainability as highly core to creating future value for stakeholders. This is significantly higher than other government sectors, including central and federal government (25%) and defense and intelligence (15%), reflecting the closer nature of citizens to local policies.

5 recommendations for advancing your digital journey

1. Focus on human connections in managing change.

While culture change and change management continue to be top barriers to digital transformation, too often change management is an afterthought. Investments in this discipline must be made at the start of a major change initiative, with the goal of building alignment of purpose among state, provincial and local government stakeholders. Human-centered design practices also help ensure projects result in better adoption by helping organizations understand stakeholder needs — from leadership, to case workers, to beneficiaries, to system administrators. An emerging area in government is using AI and machine learning to automate some processes by creating industry-tailored surveys and stakeholder personas to facilitate workflow and drive efficiency.

2. Increase agility for transformation.

While digitization is changing government business models, lack of agility slows technology adoption and maturity. More gets done using iterative and agile approaches that reduce the risks of traditional implementations. It can be difficult in government to move away from a waterfall mentality, due in part to fiscal year budgeting cycles and the need to go live based on calendar cycles. But waterfall and agile are not mutually exclusive. Start adopting agile practices within waterfall projects to show incremental progress and shift over time. In this way, you can drive results iteratively within waterfall milestones.

Case in point

Integrating agile into a waterfall modernization project for a U.S. state government

As part of a larger waterfall program to implement a new integrated eligibility system for a U.S. state, CGI experts are using agile principles and practices to drive results for the child welfare system modernization component. Prior to user acceptance testing, system deliverables are fully tested through our agile process. After the waterfall "go live," any modifications from the client are managed again within our agile process. This approach improves project predictability, cost effectiveness and results.

3. Pursue low-code/no-code platforms for modernization.

Innovation depends on, and must coexist with, traditional solutions. Digital leaders in this sector advance their digital journeys faster and more cost effectively by using platforms to meet digital needs. They focus on achieving business outcomes by using the best solutions across PaaS, IaaS and SaaS, configurable commercial-off-the-shelf (COTS) solutions, and low-code/no-code platforms. IT investment is increasing post-pandemic as government organizations look to improve operations (39% are increasing OpEx). While more expedient than custom development, such solutions still require partners to help with end-to-end integration to other digital solutions and core legacy systems.

4. Foster human connections for the future of work.

Business leaders in state, provincial and local government view the future of work as a top priority. It is a board room discussion that encompasses talent, innovation, productivity and equity. With virtual work models, it is difficult to replicate the connectedness of people working together in person, such as those moments where innovation happens naturally and flourishes. From an IT talent perspective, hiring and retention difficulties are compounded by an aging workforce. Attracting and keeping talent requires more than tools. Leaders understand the value of creating a holistic experience that engages employees, makes work exciting and builds human connections that foster purpose, belonging and trust.

Case in point

Helping the City of Edinburgh Council to implement ambitious Smart City plans

CGI is supporting the City of Edinburgh Council's transformation into one of the world's leading Smart Cities. The agreement includes deployment of the industry-leading CGI SensorInsights360 solution, which harnesses the most up-to-date technological solutions to provide the data insights, processes and tools required to achieve transformational change and deliver high-quality services to citizens of Scotland's capital.
Learn more

Case in point

Improving IT services as the digital partner to Nottingham University

In January 2022, the University of Nottingham in the UK selected CGI as their digital partner to work collaboratively to improve the university's IT services. This partnership capitalizes on the client's existing internal expertise, while bringing on CGI to co-manage and co-deliver foundational IT services. The university's IT service offering, and ways of working will be updated to enhance teaching, learning and research and improve the student experience.

5. Take a proactive, insights-led cybersecurity approach.

Protecting the organization from cyber threats rises as a business priority. Pandemic-driven digital advances resulted in cybersecurity technical debt for many government organizations. Despite 92% of clients in this sector reporting they have a cyber strategy in place, only 33% extend their strategy to the external ecosystem, and just 22% are producing expected results. Agencies need a proactive and insights-led cybersecurity approach. This includes managing human and non-human digital identities, protecting both IT and operational technologies, securing multi-cloud environments, safeguarding automation and AI workloads, and complying with increasing regulations. Many are moving to a zero-trust model that starts with a change in mindset. Its principle is never trust, always verify.

Read more about the 2022 CGI Voice of Our Clients insights:

> What digital leaders do to accelerate results

> Impacts of macroeconomic trends

Case in point

Implementing private cloud for Quebec's transformation strategy

The government of Quebec seeks to consolidate hundreds of data centers into two locations to gain efficiency, better serve citizens, reduce costs and optimize storage. The Ministère de la Cybersécurité et du Numérique (MCN) contracted with CGI to execute this transformation by integrating, implementing and operating the platform for a 3-year period. Moving from on-premises data centers to a cloud-centric, IaaS model allows them to take full advantage of the improved security (including encryption and data protection), resilience and agility of a cloud-based solution.

Insights you can act on

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world. We are insights-driven and outcome-based to help accelerate returns on your IT and business investments. Our insights represent deep knowledge of industry trends and your business and IT priorities.

For the latest CGI Voice of Our Clients industry insights, and to consult with one of our experts, please contact us.

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