# 2020 CIO Survey Sector

## National Government industry insights

### IT in the New Reality for National Government

Government and public sector spending accounts for 30–50 percent of GDP in the vast majority of countries and exerts influence over many commercial industries. Governmental support and stimulus packages have been critical to communities and industries through the COVID-19 pandemic, but there is likely to be lasting impact on public debt and future spending capacity. However, it has been a complex picture, with the pandemic affecting different parts of government and the public sector in different ways leading to a mix of economic recovery paths for national governments with 32 percent in ‘surge’ mode, 22 percent in ‘modified business as usual’, 38 percent in ‘transform to re-emerge’, and 8 percent in ‘hard reset’. Essentials such as digital healthcare, human/social services, defense, economic and stimulus spending have surged; infrastructure will bounce back quickly either because of its essential nature or its role in driving economic recovery; non-essential sectors such as elective healthcare and public transport volumes will take longer to recover; while harder hit sectors such as higher education, environment, overseas development, airports, ports, and non-COVID-19 healthcare research are delayed indefinitely.

Looking forward, many governments will be undertaking the largest logistical challenge in the past 50 years as they mobilize and rapidly distribute a COVID-19 vaccine to their populations. At the same time, some capital projects will be delayed, but others are likely to be accelerated if they can help drive recovery and renewal such as ‘shovel ready’ infrastructure projects that will deliver rapid benefits to communities or business. Meanwhile, new and more remote working models mean that some assets and estate will no longer be needed, generating opportunities for cash release.

Depending on the speed and pattern of economic recovery, national and local government bodies are likely to face multiple challenges in an environment of slow economic growth and cash constraints. These include the pressure to rapidly redesign and roll out new, digitally enabled public services (such as virtual courtrooms and touchless driver’s license bureaus); supply chains and procurement functions will need to be restructured and modernized; middle and back office transformation will be needed to meet citizen expectations and enable the government sector workforce for the working practices of the future; the ongoing growth in digital and connectedness will escalate cyber and privacy considerations; while sustainability and ambitious carbon reduction targets will be a significant priority.

From this list, it is clear what a key role technology must play in the new reality. CIOs in the governmental and public sectors will need to drive the push for digital acceleration and operational transformation across the enterprise to achieve economies of scale and to create better connected public services that improve the citizen experience, create greater operating efficiency, empower the workforce, and link up different departments through common platforms and the better use of data.

## Administrative priorities & investment

With citizens increasingly expecting public services to be delivered to them through online digital channels by default, significantly more focus on human-centric design of public services enabled through end-to-end delivery across departments will be at the center of government strategy. Shared technology and data platforms that span governmental agencies and enable the delivery of joined up services to citizens are key priorities. This is likely to mean increased migrations to the cloud, the development of modern business and enterprise architectures, implementation of RPA and intelligent automation, and the adoption of agile methods for software development. There has been a 15 percent increase in IT spend in national government compared to a cross-sector average of 9 percent — a sign of how key technological transformation is to the future delivery of governmental and public services. IT organizations in this sector will need to demonstrate that technology investments are having clear, strategic impacts on the business as the affordability of transformation programs will be challenged. Priorities center around workforce enablement through collaboration platforms as well as gaining insights from data and achieving operational efficiency. Cloud, citizen experience and security are the three top investment areas for national, state and local governments.

**Top three business issues that administrations are looking for the IT function to address**
*National Government vs. overall*

**National Government**

1. Enabling the workforce
2. Gaining actionable insights
3. Improving operational efficiency

**Overall**

1. Improving operational efficiency
2. Improving citizen engagement
3. Enabling the workforce

**Three most important technology investments**
*National Government vs. overall*

**National Government**

1. Infrastructure/Cloud
2. Citizen experience and engagement
3. Security and privacy

**Overall**

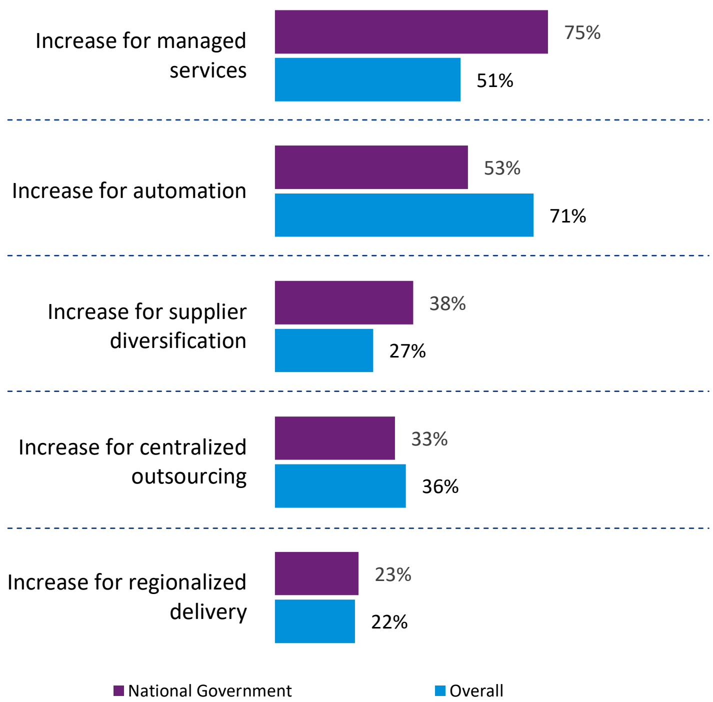
1. Security and privacy
2. Citizen experience and engagement
3. Infrastructure/Cloud

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

## Strategy & operating model

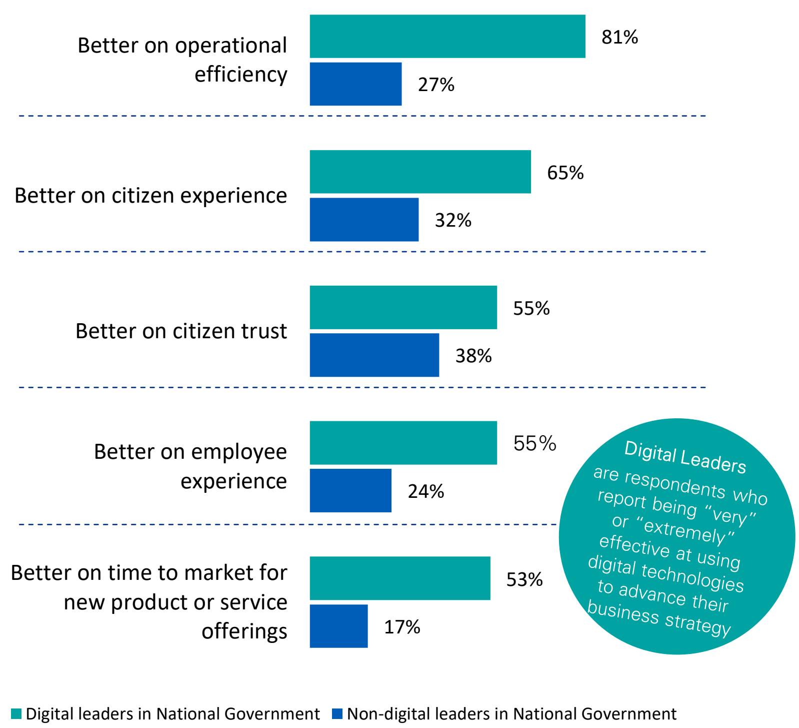
Governments will need more agile, flexible operating models, allowing for efficiencies, faster evidence-based decision-making, and scenario planning. Digital Leaders in national governments have a significant advantage over their peers, far outperforming them in key areas including operational efficiency (81 percent vs 27 percent), citizen experience (65 percent vs 32 percent), citizen trust (55 percent vs 38 percent) and employee experience (55 percent vs 24 percent). A key aspect of the operating model that both national and local government bodies will need to closely focus on is their supply chain strategy. There will be a pressing need to diversify supply chains that suffered disruptions through the pandemic, in order to make them more agile, modular, transparent and resilient. This could also be facilitated by shared service centers and a growth in managed services — expected by three-quarters of national government respondents, far in excess of the cross-sector average of 51 percent. Hand in hand with this, government agencies will also need to review and bolster their scenario and contingency planning, as many standing arrangements were overwhelmed by the effects of the pandemic. In a period when governments will need to scale and monitor the administration of vaccines while trying to balance protecting their citizens and keeping their economies running, budgets are likely to be under significant strain, there will be a strong focus on evidence-based decision making supported by scenario planning. At the same time, resource constraints will create the increased need for service automation and efficient delivery with 53 percent of national government respondents looking to automation.

Expected change to service delivery model:
*National Government vs. overall*



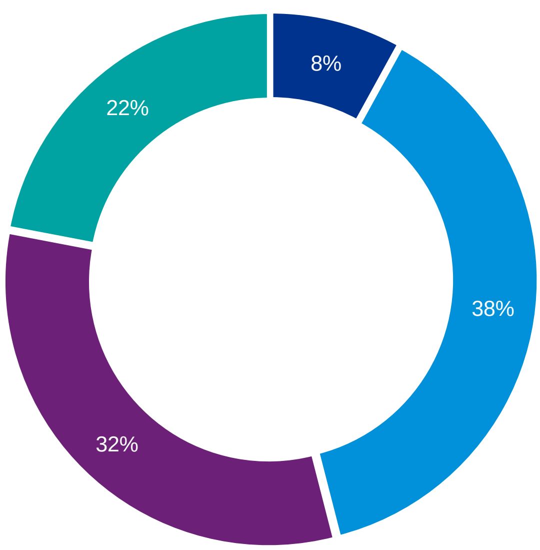

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Organizations performing 'better' or 'significantly better' than competitors on the following metrics:
*Digital leaders vs non-digital leaders in National Government*




Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Four economic recovery paths:
*National Government*



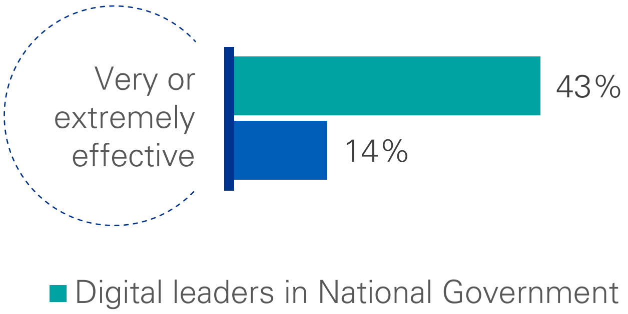

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

- **Hard Reset** — departments and agencies that struggle to recover from COVID-19 due to 'permanently' lowered demand for offerings, insufficient capital to ride out extended recession, and/or poor execution of digital transformation.
- **Transform to Re-emerge** — departments and agencies that will recover but along a protracted path requiring reserves of capital to endure and transform operating models to emerge stronger and more in line with changed consumer priorities.
- **Surge** — departments and agencies that scale post-COVID-19 as consumer behavior that was altered during the crisis is sustained in their favor. Investors sense their potential to lead and provide capital to scale aggressively during recovery.
- **Modified Business-as-usual** — departments and agencies seen as daily essentials will suffer effects of the consumer shutdown recession but are expected to recover more quickly as consumer demand returns in similar volumes.

## Delivering value at speed

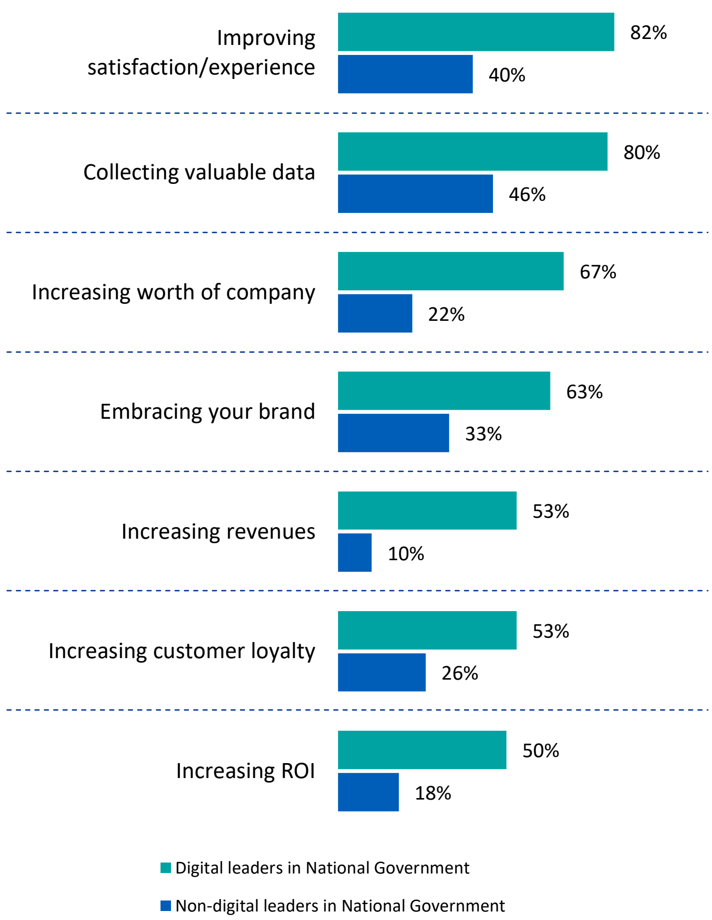
With pressure to deliver more joined up and citizen-centric services, and so much to be gained from efficiencies in the back and middle offices, it is no surprise that large-scale investments in cloud and SaaS feature most widely in the governmental sectors. Intelligent automation is also beginning to spread, although this is more prominent in national government (14 percent) than state and local government (only 4 percent). Digital Leaders, once again, are in a much stronger position than their counterparts with 37 percent rating themselves as effective or very effective at pivoting and scaling digital channels compared to just 14 percent of others. Digital Leaders also enjoy a clear differentiation in the efficacy of their most successful digital offerings. This applies across all key metrics for national governments, including improving citizen satisfaction and experience (82 percent vs 40 percent), collecting valuable data (80 percent vs 46 percent), and increasing citizen loyalty (53 percent vs 26 percent).

**Organizations that are 'very effective' or 'extremely effective' at pivoting and scaling digital channels to meet new citizen demands and expectations:**
*Digital leaders vs non-digital leaders in National Government*



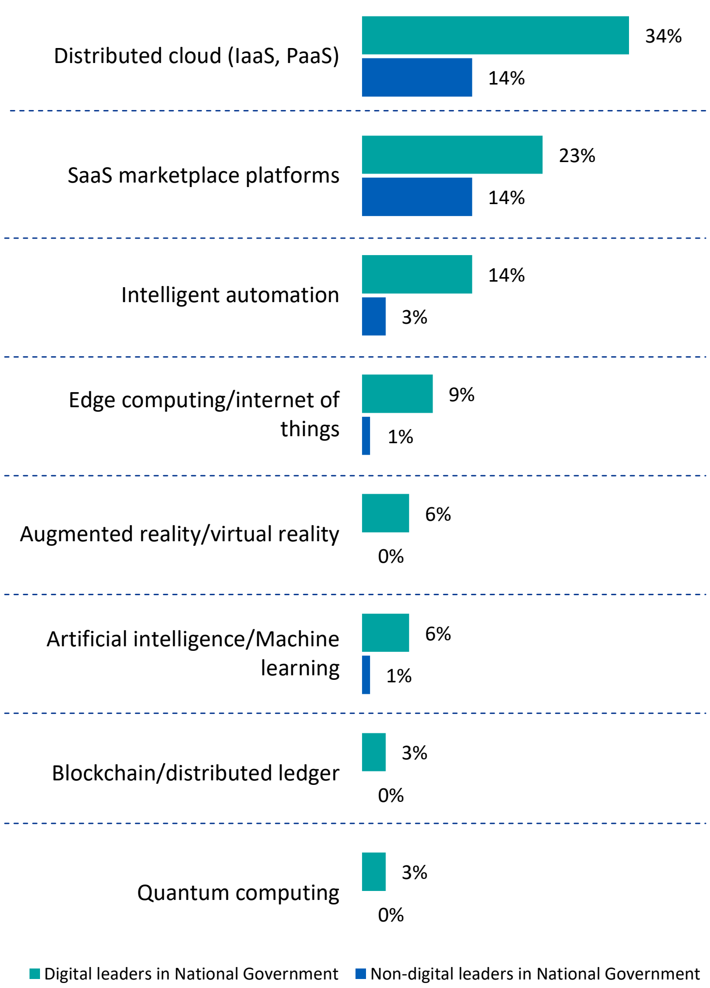

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

**Digital offerings to citizens that were 'very effective' or 'extremely effective' at the following:**
*Digital leaders vs non-digital leaders in National Government*




Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

**Large-scale implementations of emerging tech:**
*Digital leaders vs non-digital leaders in National Government*




Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

## People & culture

One of the biggest and most visible impacts of COVID-19 on government and public sectors was the mass move to remote working. For a sector that was traditionally highly office-based with relatively low degrees of flexible working, this was a huge shift. 43 percent of CIO respondents in national government foresee the majority of the workforce working predominantly from home in the future — inline with the cross-sector average of 43 percent, a truly significant proportion for this sector. To support this, connected IT systems and more flexible working patterns will be needed, including the redesign and realignment of health and safety, HR and employment policies and contracts. In common with other industries, cyber related skills are the most in-demand within national government IT teams, with cloud featuring at number two. In the new reality of such change and rapid evolution, it is notable that training, development and reskilling opportunities are seen as the second most important factor in engaging and retaining IT talent for national governments (behind strong culture & leadership) — coming in ahead of remuneration at number three.

Most in demand skills:
*National Government vs. overall*

**National Government**

- Cyber security
- Cloud
- Enterprise architecture
- IT strategy
- Agile methods

**Overall**

- Cyber security
- Organizational change management
- Enterprise architecture
- Technical architecture
- Advanced analytics

Top factors in engaging and retaining key technology talent in the new reality:
*National Government vs. overall*

**National Government**

1. Strong culture & leadership
2. Training, development, & reskilling opportunities
3. Good remuneration
4. Work location and remote work opportunities
5. Purpose of the organization

**Overall**

1. Strong culture & leadership
2. Good remuneration
3. Career progression opportunities
4. Work location and remote work opportunities
5. Training, development, & reskilling opportunities

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

**54%** in National Government believe **COVID-19 created a culture** of inclusivity in the **technology team.**

**More than four in ten** in National Government believe **promoting diversity** improves **trust and collaboration, engagement with the business, creating citizen focused products and access to skills.**

Proportion of enterprise that will remain predominantly working from home post COVID-19:
*National Government vs. overall*

National Government
43% Say half or more

Overall
43% Say half or more

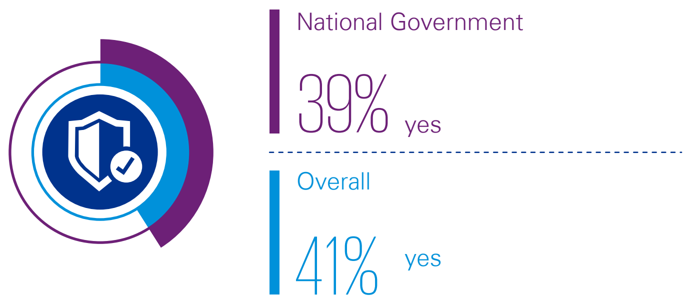
Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

## The rise of cyber

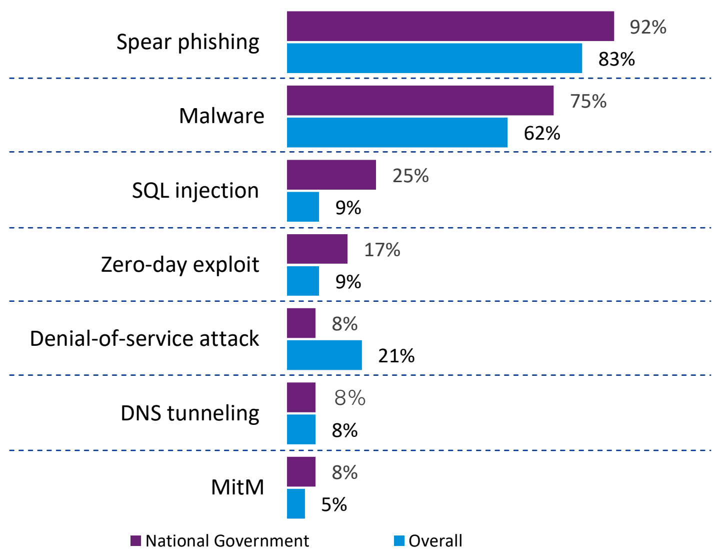
With COVID-19 causing the mass relocation of staff from corporate networks to home offices, bedrooms and kitchen tables around the world, organizations' attack surfaces also dramatically grew. As a result, about four in ten organizations have experienced an increase in cyber security incidents. In the national government sector, there has been a particularly dramatic rise in spear phishing attacks (92 percent reporting an increase) and malware (75 percent). This is perhaps a sign that cyber attackers are aware of the sector's relative inexperience with working remotely, making staff potentially more vulnerable to digital lures. Clearly, ensuring that staff are fully aware of online protocols and best practice is an ongoing priority. With the safety and security of governmental and citizen data so essential, it is a non-negotiable imperative to ensure that systems are robust and protected. Attacks are becoming ever more sophisticated, and state-sponsored cyber activity is on the rise: governmental agencies must continually raise their game and put cyber security at the top of their agendas.

Organizations that experienced an increase in security or cyber incidents due to remote working
*National Government vs. overall*




Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Increase in types of attacks due to remote working:
*National Government vs. overall*

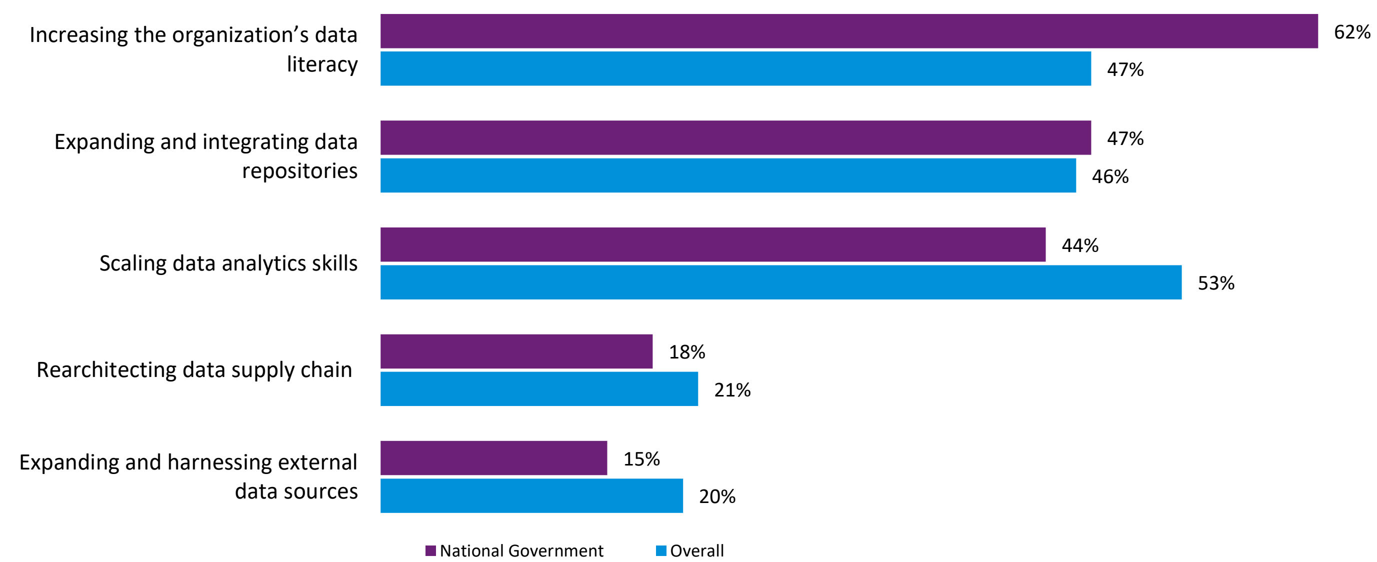



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

## Analytics & insight

The machinery of government will turn more smoothly if systems are connected and relevant data can easily be shared across agencies. Increasing the organization's data literacy, establishing modern data and application architecture standards, and expanding and integrating data repositories are among the top priorities for the government sectors. Shared platforms are key, with secure central repositories as well as scaling data analytics skills in the organization. This will also remove the need for citizens to keep giving their data and personal information when contacting different agencies — a common frustration that clouds the quality of the citizen experience.

Top priorities for organizations' data strategy:
*National Government vs. overall*




Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

## What now?

COVID-19 has changed the landscape. With technology more important than ever to organizations' ability to survive and thrive, the opportunity has never been greater for CIOs to work as strategic partners with the business. More than eight in ten IT leaders in this sector report increased collaboration between the business and technology teams — this relationship is something that CIOs must build on to ensure their organization's digital transformation success.

For CIOs in government and the public sector, there is a huge task to modernize and integrate IT systems, facilitate migrations to the cloud, enable more digital working for staff and more digital experiences for citizens, and at the same time bring operating costs down through enhanced efficiencies. The list is long, the pressure is high and budgets are squeezed: now is the time for IT leaders in government to prove their powers of innovation, determination and resilience as they lead their organizations in the new reality.

# How KPMG can help

While KPMG firms are some of the largest providers of services to national governments globally, we take a boutique approach to client issues with a focus on flexibility, adaptability, and innovation. KPMG professionals recognize that there are many on-ramps to supporting IT transformation and we've tailored our services accordingly:

### Transform the business

- Strategy and operating model
- Organizational design
- Enterprise architecture
- Portfolio planning
- Merger and acquisition
- Integration and separation

### Run the business

- Scaling agile
- Product management
- DevOps tooling
- IT financial management
- IT service management
- IT asset management

### Modernize and protect

- Cloud strategy
- Data center strategy
- Continuity and resiliency
- Workplace transformation
- Network modernization
- Cyber, risk, and compliance

# Contact us

**Paul Dijcks**
Partner Public Sector
**T:** +31703 382126
**E:** Dijcks.Paul@kpmg.nl

**Deborah Hofland**
Partner Technology & Digital Transformation
**T:** +31703 382421
**E:** Hofland.Deborah@kpmg.nl