



2022 KPMG U.S. Technology Survey Report

Government and public sector industry insights



Looking to technology to improve agility and customer engagement

Government and public sector organizations spend about the same percentage of their budgets on technology as their private sector counterparts and generally reap similar rewards. They are investing in digital transformation to improve agility and accelerate customer centricity and engagement.

Actively migrating to the cloud

Government and public sector executives report strong progress against their cloud agendas. Eighteen percent—the second most in any industry group—say their organization has completed its migration to the cloud and is now focused on continuous optimization and modernization of its cloud capabilities, according to the 2022 KPMG U.S. Technology Survey.¹ By comparison, 13 percent of all executives say the same.

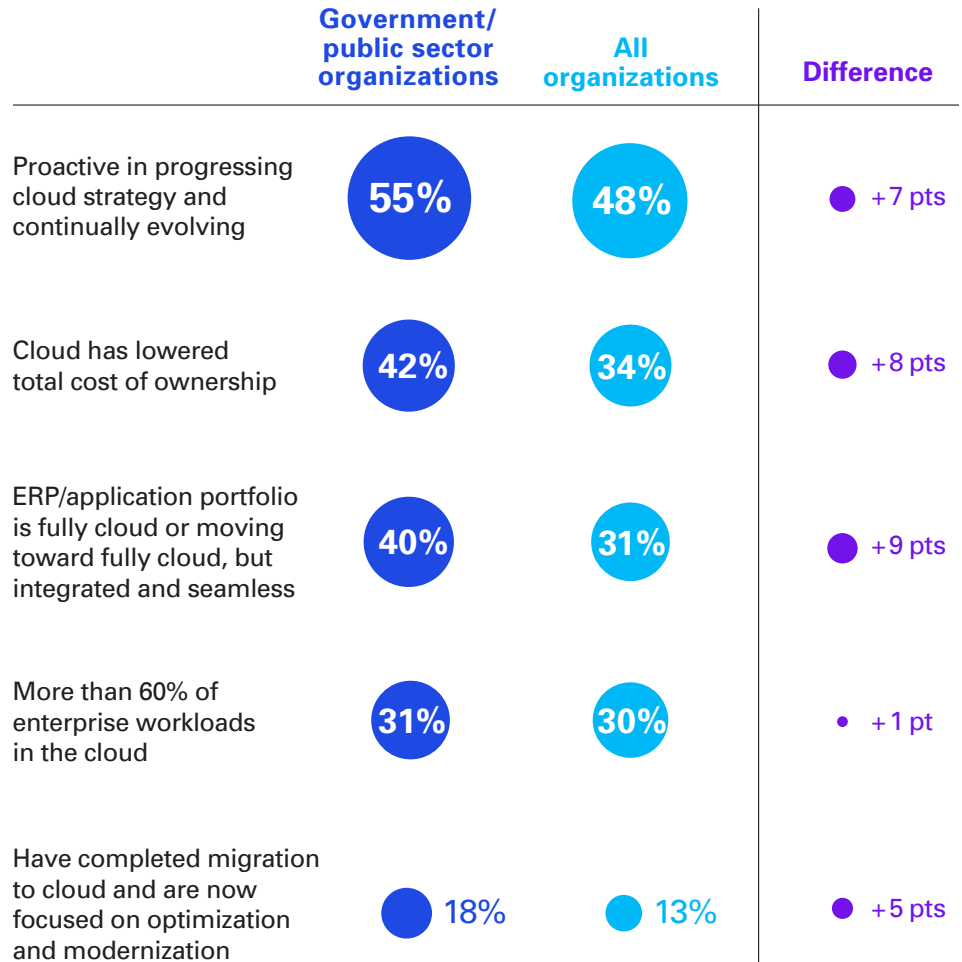
Forty percent of government and public sector executives also say their organization’s ERP/application portfolio is fully in the cloud or, if not, is moving toward that state but is nonetheless already integrated and seamless. That compares with 31 percent of all organizations. In addition, 55 percent of executives in this sector say their organization is proactive in progressing against its cloud strategy. That’s the second highest in any sector and compares to 48 percent across all organizations. Finally, government and public sector executives are the most likely to say moving to the cloud has lowered their organization’s total cost of IT ownership (42 percent versus 34 percent at all organizations). (See Figure 1.)

“Government and public sector organizations are making good progress on their cloud agendas, but it’s an area where they must continue to march forward,” says Viral Chawda, principal, head of Government Technology, for KPMG in the U.S.

Chawda notes that while a small minority of organizations may consider their migration complete, return on investment so far has varied widely from one organization to the next.

Figure 1: A strong start on moving to the cloud

Nearly one in five government or public sector organizations are operating fully in the cloud.



Source: KPMG U.S. Technology Survey Report, KPMG LLP (U.S.), 2022.

¹ In May and June 2022, KPMG U.S. surveyed 1,052 U.S.-based, executive-level technology leaders across eight broad industry sectors about the current state of their organization’s digital transformation journey, the challenges they are facing along that journey, and their planned technology investments. This report highlights the most significant differences in the survey findings for the government and public sector relative to all sectors represented in the survey.

ACTIVELY MIGRATING TO THE CLOUD *continued*

“In many cases, moving to the cloud has been a net positive for these organizations from a speed and agility perspective, but not from a cost perspective,” he explained. “The challenge now to is improve how they manage their use of the cloud and extract the most value from it.”

Fifty-five percent of executives in this sector cite improved enterprise agility and modernization as a key driver of their organization’s digital transformation (versus 45 percent at all organizations). Fifty-five percent also identify accelerating customer centricity or customer engagement as a key driver (versus 52 percent at all organizations). (See Figure 2.)

Compared to how they are doing in the cloud, success on the data and analytics front has been more elusive for government and public sector organizations. On a positive note, 60 percent of sector executives say their organization is proactive in progressing against its data and analytics strategy, versus 51 percent at all organizations. But executives in this sector also are the most likely to say suboptimal data management is a

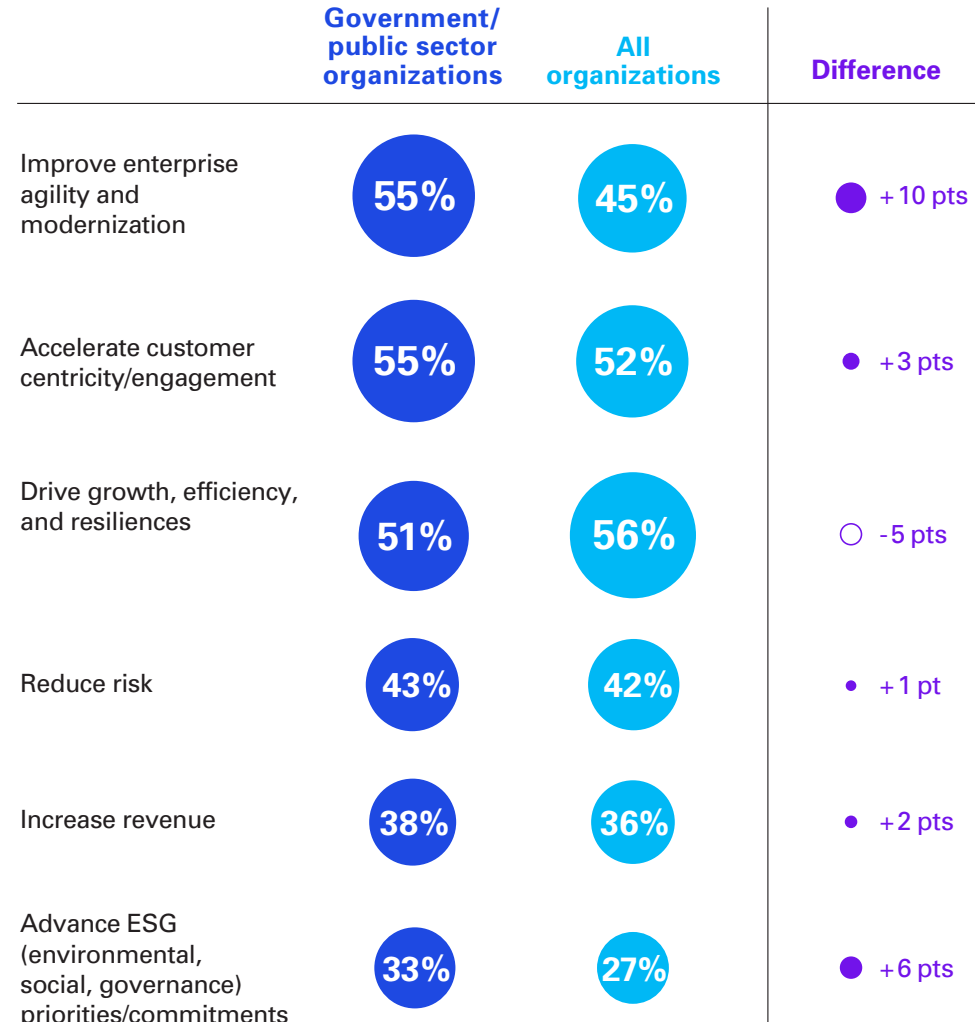


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Figure 2: Demands for agility and customer engagement are driving digital transformation

What are the key drivers of your organization’s digital transformation and corresponding investments?



Source: KPMG U.S. Technology Survey Report, KPMG LLP (U.S.), 2022.

ACTIVELY MIGRATING TO THE CLOUD *continued*

challenge for their organization in adopting new digital technologies (34 percent agree, versus 25 percent of all executives).

“When you’re suboptimal in data management, you can’t be ahead in analytics because analytics doesn’t work without optimal data management,” notes Chawda.

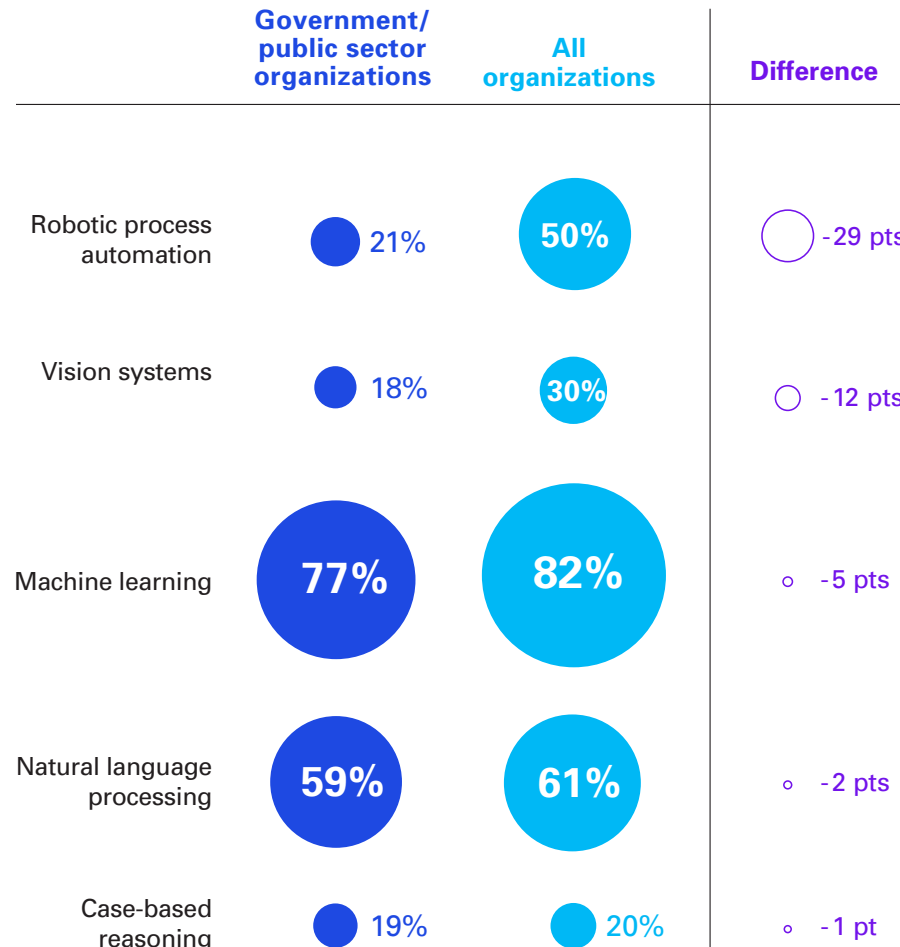
“Organizations in this sector are having pockets of success with advanced analytics but it’s nowhere close to being evenly distributed yet.”

When asked how well they’re making out with specific advanced technologies, executives in this sector again report challenges. They are only slightly behind the private sector in successfully deploying technologies enabled by artificial intelligence (AI), such as machine learning and natural language processing. But they are much less likely to be using natural language processing (NLP) or computer vision and earning a positive return on their investment in those technologies. In fact, when asked in which of five areas they’ve invested in technology and generated a positive return, the government/public sector trails the average for all industries in each case. (See Figure 3.)

Looking ahead, government and public sector organizations are prioritizing investments aimed at improving the customer and user experience, with 59 percent of sector executives saying this will be a top-five area of investment for their organization over the next 12 months, versus 56 percent at all organizations. They’re also prioritizing AI/machine learning (47 percent versus 48 percent), as well as application modernization (41 percent versus 42 percent) and intelligent automation (41 percent versus 35 percent).

Figure 3: Struggling to generate a positive return on tech investments

Percentage of organizations deploying the indicated technologies and seeing a positive return on their investment in it.



Source: KPMG U.S. Technology Survey Report, KPMG LLP (U.S.), 2022.

Building a digital future

Government and public sector organizations face numerous challenges in prosecuting their digital transformation agendas, led, the survey shows, by a lack of capable talent.

Thirty-seven percent of sector executives cite this as a significant hurdle, although the number is even higher—44 percent—among all executives. Their organizations also are hamstrung by their previously mentioned deficits around data management, and by the high cost of purchasing and implementing new systems and adding the necessary talent (a challenge for 32 percent of them, versus 30 percent of all organizations).

At KPMG, our extensive fieldwork with government and public sector organizations reveals another big challenge—the sector’s use of large and highly complex legacy information systems and applications that in some cases have been cobbled together over the course of three or more decades.

“Converting systems and applications of that age, scale, and complexity to modern cloud-based solutions is not easy,” notes Chawda. “Finding the right talent to orchestrate the change isn’t easy, either, because none of these transformation programs are technology-only undertakings. You need people within the organization who have a lot of domain and functional expertise, including an understanding of why things are being done the way they are, what the interdependencies are between different systems, and what the impact of changing those systems will be. There aren’t many people who understand all that.”

On the other hand, government and public sector

entities sometimes have an advantage over their private sector counterparts in that they are often willing to try new things. “They are open to innovation and experimentation,” Chawda says.

Chawda cites the example of a Federal Defense Agency that opted to implement a proposal from KPMG to use a variety of AI-enabled solutions, including computer vision, to automate what had been an

extraordinarily manual process of conducting inventories of weaponry and other sensitive items across number of warehouses. Beyond speeding up the inventory process by orders of magnitude, the project also improved inventory accuracy by more than 20 percent.

“That was a very bleeding edge application of technology that went from proposal to production capability over a very short period of time,” Chawda says.





To continue to realize potential benefits from digital transformation, Chawda and Andrew Gottschalk, partner, Health and Government Solutions, for KPMG in the U.S., recommend that government and public sector agencies adopt five strategies moving forward.

- 1** Have a customer-centric design mindset when introducing new technology so that users will find new platforms and applications easy to use and will embrace them.
- 2** Begin treating data like a product to be shared enterprise-wide rather than continually duplicated in siloed departments.
- 3** Accelerate the use of a development, security, and operations (DevSecOps) approach to creating new software applications, embedding security into them from the outset.
- 4** Continue to modernize technology stacks to include SaaS platforms, advanced cloud, AI, and edge computing capabilities—as well as strong data management capabilities—and make it easy for end users to access the data insights they need for decision-making.
- 5** Embrace modularity and containerization to help with the challenge of modernizing large and complex legacy systems and applications. Modularity refers to dividing large software applications into smaller modules, while containerization refers to running those applications in isolated environments.

How KPMG can help

At KPMG, we know business technology. Over the last dozen years, we've built a leading technology organization designed specifically to help technology leaders succeed at the accelerated pace business now demands.

Unlike business-only consultancies, our more than 15,000 Technology professionals have the resources, the engineering skills and experience, the battle-tested tools and solutions, and the strategic alliances with leading technology companies to help achieve your vision quickly, efficiently, and reliably. And unlike technology-only firms, we have the business credentials and sector experience to help you deliver measurable business results, not just blinking lights. We're recognized by industry analysts as a leader in advanced technologies: AI and automation, data and analytics, cyber, low-code, and more.

Our experience deploying Microsoft, Oracle, Salesforce, Workday, and other leading cloud solutions, combined with our preconfigured cloud solutions, means we're already 80 percent done before you even pick up the phone.

Whether we're helping you deploy a new technology, migrate to a new cloud platform, or outsource challenges with our managed services, you can count on us to deliver—fast.

That's speed to modern technology.

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Contact us



Viral Chawda
Principal,
Head of Government
Technology,
KPMG in the U.S.
+1 832 535 8712
vchawda@kpmg.com



Andrew Gottschalk
Partner,
Health and Government
Solutions,
KPMG in the U.S.
+1 312 665 2883
agottschalk@kpmg.com

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