Redefining Public Sector Transformation:
Key Modernization Challenges and Priorities for Governments

S tate and local governments have had to rapidly modernize operations to ensure business continuity and support new strategic priorities such as remote work and digital service delivery. As they move from the baptism-by-fire stage of modernization to something more sustainable, government agencies may need to revisit their modernization roadmap and confront new challenges that could slow the pace of their transformation.

Government officials and information technology (IT) leaders recently convened for a *Government Technology* virtual roundtable to discuss how they're approaching modernization and how their transformation has changed in response to a years-long pandemic. Their insights illustrate that every government organization will have its own unique modernization journey but will need to address several common challenges to drive successful transformation.

Government modernization trends: Challenges and opportunities

Roundtable participants said several challenges are affecting their modernization efforts.

Bruce Hermes, chief information officer (CIO) of the Texas Department of Agriculture, says supply chain issues are affecting his agency's ability to procure hardware and other equipment, such as laptops, to support strategic priorities like remote and hybrid work.

Workforce challenges are another barrier to modernization, says Cecil McMaster, CIO of the New York City Department of Environmental Protection. The Great Resignation and Silver Tsunami are creating workforce challenges for agencies as more workers retire at the same time agencies lose talent to private sector organizations.

"After COVID, there's been a lot of churn or movement in the workforce. It's not just retiring, but people are leaving for other opportunities," McMaster says. "There's a lot of competition for skillsets now. Being in government, I don't know how we compete for the skills we need to deliver on our mission."

Despite federal stimulus relief, funding continues to be an issue. Stimulus funding may have helped governments integrate new technology, but they will need to maintain and upgrade these technologies in the future. Funding may not always be available and they must plan ahead.

Despite these challenges, government officials and IT leaders expressed optimism about the path forward. They also shared several leading practices other agencies can consider to effectively navigate the next phase of their modernization journey.

Developing a future-proof yet flexible modernization strategy: Six key lessons from state and local governments

Lesson #1: Digital transformation wasn't just a byproduct of the pandemic — it is here to stay.

Jurisdictions are undertaking significant modernization, often driven by constituent demand, security, and business continuity risks posed by legacy systems, as well as a renewed focus on modernization at the state level. For example, the state of Texas recently created the Technology Improvement and Modernization Fund to to improve state agency information technology resources, which will largely impact state cybersecurity and legacy system projects.[1]

In some cases, the pandemic merely accelerated what many organizations had already started. New York City began its cloud journey five years ago, migrating 90% of its critical workloads to the cloud. As a result, the city also discovered it needed to transform its back-end processes. These changes have only continued in recent years.

"COVID has forced us to speed things up," McMaster says.

Zacc Allen, CIO for the Virginia Department of Corrections, says his organization is rapidly implementing new cloud-based systems to modernize and strengthen its security posture.

"Just this year alone, we're looking at implementing an electronic medical record system. We're replacing our inventory system. We're putting in a new tool management, asset tracking, and fleet management system, so we're doing a lot to modernize," Allen says.

The pandemic may have spurred new efforts in digital transformation, but agencies are also seizing this opportunity to bring about lasting, sustainable change to their operations.

Lesson #2: A well-thought-out prioritization strategy is key.

Some agencies, like the Texas Department of Information Resources (DIR), base prioritization on an assessment of risks, combining input from key stakeholders with data-driven algorithms to decide which initiatives they will fund and implement first. Others focus on customer experience, letting desired business outcomes drive their prioritization process.

Every agency will need to determine what to prioritize. This is a critical first step before making any of the organizational, business process, or technology changes required for effective modernization. Once agencies establish their priorities, they can use them to shape and guide their modernization roadmap.

Lesson #3: Mobility is the future.

Many agencies understand the need to be more agile and support mobility for both employees and constituents who interact with the government.

Rami Zakaria, Sacramento County's CIO, says his organization has had a long-standing goal "that anything you can do in the office, you should be able to do remotely," but this philosophy has become even more important over the last two years. Most of the county's 100 services can be conducted completely online.

"We're taking a holistic look at not just how we provide services, but how do we enable employees to be productive remotely? How do we effectively engage those employees and citizens at the same time?" Zakaria says.

John Hoffman, deputy state CIO at Texas DIR, says agencies will need to figure out how to deliver a "one app, one tap" constituent experience.

"The world has changed, and I think everyone is looking toward how we are leveraging mobile platforms to really enable that citizen experience," Hoffman says.

The Texas Department of Agriculture is already moving in this direction by exploring how to make its licensing and business application process smartphone-friendly via an app or responsive browser page, according to Hermes, the department's CIO.

Lesson #4: Business process improvements and good data governance are just as crucial to enable transformation.

As New York City demonstrates, agencies can't just focus on technology. They also need to optimize their business processes to support modernization. Organizations can't use back-end paper-based processes to support digital applications, so back-end automation must also be a part of agencies' modernization plans.

"There's no doubt that the services citizens are asking for just continue to go up. If demand for services is going up and your capability to deliver is waning, then what helps to close that gap is automation, transformation, and digital services," says Carl Marsh, managing director at KPMG, a leading professional services provider and digital transformation advisory partner for the public sector.

Improving data governance is another key consideration for agencies. All of this digital transformation results in an abundance of data that needs to be secured, managed, and shared. Data governance becomes key as the uses for

an agency's data are almost infinite. However, proper use is imperative. Like system security, data governance needs to be built in and started at the beginning of a transformation, not applied as an afterthought.

Lesson #5: Don't overlook the importance of change management.

Leaders also need to set the strategic vision and invest time in getting employees and other key stakeholders on board with digital transformation. New York City, for example, has devoted significant time engaging in business process reviews with business, IT, and operations teams and having conversations about the number of applications it really needs to support its operations.

"We are looking at applications and trying to rationalize them," McMaster says. "Do we really need 600 applications to run the agency? Or could we do it with 100 or could we do it with six?"

For governments, part of the change management process may also mean reassessing how many people are required to perform a specific task or function, and redeploying resources accordingly to where they can drive higher-value, mission-critical work.

Lesson #6: Revamping public sector recruiting and retention is vital for modernization.

Despite stronger executive support and federal funding, attempts to address technical debt in the public sector may run up against serious IT talent shortages, change management challenges, and bureaucratic inertia.

Several CIOs who participated in the roundtable pointed to lack of IT talent as a key barrier to transformation, saying they simply can't compete with the private sector for skilled workers.

Government may not be able to compete with the private sector when it comes to compensation, but it can compete by offering a flexible work environment and the chance to do meaningful work. Agencies should focus on upskilling their current workforce, promoting internally, and identifying high-potential talent who may be in other roles within the organization but want to transition into IT. Collaborating with local nonprofits on workforce development initiatives and pipeline programs may also help state and local governments recruit younger workers and non-traditional candidates.

Conclusion

State and local governments have dealt with unprecedented change in recent years, but along the way they've learned several valuable lessons that could transform how they interact with and serve constituents.

Modernization requires governments to clearly define their priorities, enact business process improvements, implement effective change management, and shift their recruitment and retention processes. By doing so, they'll be better positioned to navigate their current transformation journey — and better prepared for what will inevitably come next.

This piece was written and produced by the Center for Digital Government Content Studio, with information and input from KPMG.

1. https://www.govtech.com/budget-finance/texas-legacy-systems-to-see-900m-in-modernization-funds