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The Next Shift in Government Technology: Are Vendors Ready to Compete?

Four forces reshaping public sector investment, buyer expectations and competitive strategy — and what technology leaders should do before their market positioning falls behind.

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Executive Perspective: The Market Is Changing. Is Your Strategy?

Government technology modernization is entering a new phase, and the implications extend well beyond the technologies agencies are purchasing.

Artificial intelligence is moving into everyday operations. Data governance is becoming essential to modernization. Cybersecurity demands are intensifying. And government organizations are under growing pressure to deliver better outcomes with limited budgets and constrained workforces.

Individually, these developments are significant. Together, they are changing how government organizations evaluate technology, prioritize investments and assess potential partners.

For companies selling technology and services into the public sector, the strategic risk is clear: **A go-to-market strategy built around yesterday's buyer priorities may become less effective even when the underlying products remain competitive.**

Recent findings from the Center for Digital Government's 2026 Digital States Survey, e.Republic's government data and analytics research, and public-sector audience engagement trends reveal these converging forces:

These shifts are not isolated trends. They are interconnected forces influencing government investment decisions and competitive positioning across the technology market.

The question for sales, marketing and product leaders is this: **Is your organization adapting quickly enough to remain relevant as government expectations evolve.**

1. AI Is Reshaping the Technology Portfolio. Is Your Value Proposition Keeping Up?

The 2026 Digital States Survey shows that artificial intelligence is progressing beyond experimentation into practical government applications.

States are applying AI to benefits administration, procurement, public safety, application development and workforce productivity. At the same time, AI is becoming intertwined with cybersecurity, data management, constituent services and other established technology priorities.

This represents an important competitive shift.

As AI capabilities become more common, simply offering AI functionality may become less effective as a differentiator. Government organizations must determine how those capabilities fit into existing operations, what problems they solve, and whether they can be deployed responsibly.

Four Forces Reshaping SLED Technology

1

AI is becoming an operational expectation,

not simply a standalone innovation initiative.

2

Data readiness is influencing modernization decisions,

creating opportunities beyond traditional analytics solutions.

3

Security, trust, and accountability are becoming more consequential,

raising expectations for vendor transparency and credibility.

4

Operational outcomes are taking precedence over technology features,

challenging vendors to demonstrate measurable value.

For vendors, the opportunity extends beyond launching new AI products.

It includes rethinking how existing solutions are positioned, how product roadmaps evolve and how organizations communicate value to government buyers.

A vendor emphasizing AI features may find itself competing against providers that can more clearly demonstrate how those capabilities improve government operations.

What This Means for Business Strategy

Product and services leadership: Examine whether your roadmap integrates AI into existing customer workflows or primarily treats it as a separate product capability. Consider the integration, governance and security requirements that could affect adoption.

Sales leadership: Shift conversations from AI functionality toward operational challenges. Buyers need to understand how new capabilities address their specific responsibilities, constraints and objectives.

Marketing leadership: Move beyond generic AI messaging. Develop differentiated narratives around practical applications, implementation readiness and the government outcomes your solutions support.

The Competitive Implication

AI capabilities may help vendors enter the conversation. Demonstrable operational value will increasingly determine how compelling that conversation becomes.

Organizations that fail to make this distinction risk competing on features while more strategically positioned providers compete on outcomes.

But understanding which outcomes matter requires more than market research. Participating in government technology events and focused leadership discussions can help vendors hear directly from public sector leaders about their operational challenges, implementation concerns and evolving priorities. Those insights can help shape more relevant solutions and stronger customer conversations.

2. Data Readiness Is Becoming a Strategic Investment Priority. Are You Seeing the Opportunity?

AI ambitions are bringing longstanding government data challenges into sharper focus.

A June 2026 survey of 400 state, local and education leaders (SLED), featured in e.Republic's *State of Data and Analytics* research, found that data quality and accuracy remain major priorities.

Many organizations are still at the developing or intermediate stages of analytics maturity. Fragmented information, legacy systems, manual processes and staffing constraints continue to limit their ability to use data effectively.

Yet investment interest remains resilient. Nearly all respondents expect spending on data and analytics tools to remain steady or increase over the following year or so.

This combination presents a strategic opportunity.

Government organizations may want advanced AI and analytics capabilities, but their immediate needs often involve the foundational systems, governance practices and data quality improvements required to support them.

Vendors that focus exclusively on the most visible emerging technologies could overlook opportunities in the infrastructure and services that make those technologies practical.

The opportunity is not necessarily to propose sweeping modernization initiatives.

More targeted approaches that address specific data sets, operational problems and implementation barriers may align better with government resource constraints.

What This Means for Business Strategy

Product and services leadership: Evaluate opportunities to expand integration, governance, data quality and implementation capabilities. Consider modular solutions that support incremental modernization.

Sales leadership: Look beyond the stated technology requirement. Identify the data dependencies that could determine whether a customer's larger modernization initiative succeeds.

Marketing leadership: Position data capabilities as enablers of tangible government outcomes. Connect data governance and modernization to efficiency, reliability, security and improved decision-making.

The Competitive Implication

The most visible technology opportunity is not always the most immediate purchasing need.

Vendors that understand the foundational requirements behind government modernization may identify opportunities that competitors focused only on emerging technologies overlook.

Discovering those requirements often means getting closer to the people responsible for modernization. Research provides a starting point, but attending targeted government events, programs and councils can create opportunities to explore priorities, barriers and longer-term technology direction with participating leaders. The resulting insights can help inform product roadmaps, service offerings and market positioning.

3. Security and Trust Are Becoming Competitive Requirements, Not Supporting Claims

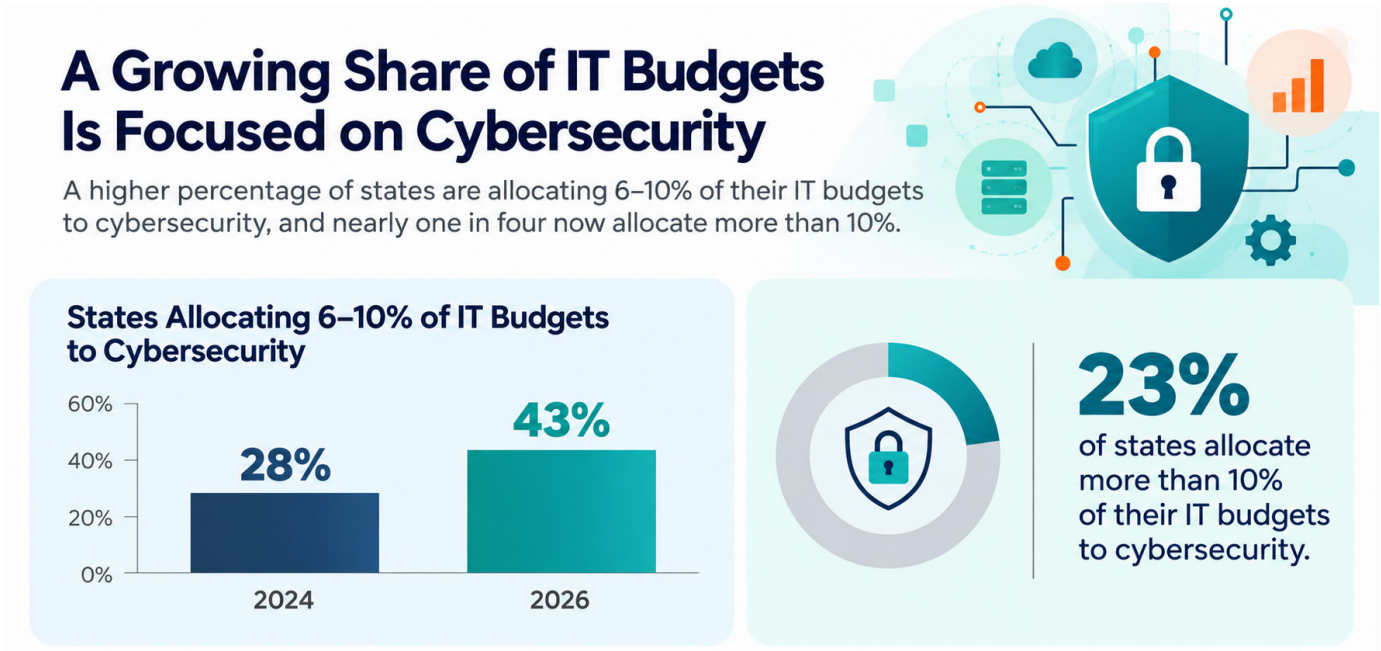
Cybersecurity remains a major government technology priority, but the scale of investment and complexity of risk are changing.

States are spending more on cybersecurity. According to the 2026 Digital States Survey, 43% of states now allocate between 6% and 10% of their IT budgets to cybersecurity, compared with 28% in 2024. Another 23% allocate more than 10%.

States are also increasing their use of automation and AI-enabled security capabilities to accelerate incident response and remediation.

These developments have implications beyond cybersecurity vendors. As AI becomes embedded across government systems, agencies must evaluate how technology accesses information, manages identities, protects sensitive data, and operates within established security and governance frameworks.

That raises the importance of vendor accountability. Security, transparency and responsible data practices are not merely technical details to address after



Source: Center for Digital Government. 2026 Digital States Survey.

a solution has been selected. They can influence whether a solution advances through evaluation and procurement.

For vendors, this creates a potential competitive vulnerability. A strong product demonstration or compelling value proposition may not be enough if the company cannot clearly explain its security practices, data handling, governance controls or implementation requirements.

What This Means for Business Strategy

Product and services leadership: Integrate security, governance, transparency and identity management considerations into product planning. Ensure important capabilities can be demonstrated and supported with evidence.

Sales leadership: Prepare for evaluation by IT, cybersecurity, legal and procurement stakeholders. Equip sales teams to answer questions beyond product functionality and business benefits.

Marketing leadership: Build trust through specific, substantiated claims. Replace generic assurances with credible evidence of security practices, implementation capabilities and organizational expertise.

The Competitive Implication

Trust is becoming part of the value proposition. Vendors that cannot substantiate their claims risk creating barriers to consideration and approval.

As government environments grow more complex, the ability to demonstrate accountability may become as important as the technology itself.

Building trust starts with understanding government expectations. Relevant industry forums and structured engagement programs can help vendors learn how public-sector leaders approach security, governance and risk. Participating in these discussions gives companies an opportunity to listen, contribute expertise and better prepare for the scrutiny their solutions may face.

A strong product gets attention. Demonstrating security, accountability, and operational value helps earn government buyers' confidence.

4. Government Buyers Want Outcomes. Are You Still Selling Features?

Across AI, cybersecurity, data management and modernization, one priority consistently emerges: **Government organizations need to improve operational performance.**

e.Republic's 2026 data and analytics research identified operational efficiency as the leading desired outcome across the surveyed government and education segments.

At the same time, the 2026 Digital States Survey highlights significant workforce challenges.

More than 80% of states report needing additional cybersecurity staff, 76% need AI modeling talent, and nearly two-thirds need additional application development, modernization, and data expertise.

These shortages have practical implications.

Government organizations must maintain essential services, modernize legacy systems, respond to emerging threats and implement new capabilities without necessarily having the resources to expand their workforces accordingly.

Technology investments must therefore compete not only on functionality but also on their ability to improve organizational capacity. Solutions that reduce manual work, simplify processes, improve adaptability or help existing employees operate more effectively may offer compelling value.

For vendors, this changes the sales conversation.

A lengthy feature comparison may be less persuasive than a clear explanation of how a solution addresses a specific operational challenge. Likewise, marketing campaigns emphasizing technical capabilities without connecting them to government outcomes may struggle to distinguish one provider from another.

What This Means for Business Strategy

Product and services leadership: Prioritize usability, interoperability, automation and implementation efficiency. Consider how solutions reduce the burden on already constrained government teams.

Sales leadership: Develop business cases tied to operational objectives. Where evidence is available, demonstrate potential improvements in productivity, service delivery, risk reduction or resource utilization.

Marketing leadership: Lead with the problems government organizations need to solve. Translate technical capabilities into clear, credible value propositions supported by practical examples.

The Competitive Implication

Government buyers do not necessarily need more technology. They need technology that helps them accomplish more.

Vendors that lead primarily with product features risk losing relevance to competitors that connect their offerings to operational priorities.

The challenge is identifying which outcomes matter most to specific government organizations. Direct engagement through relevant events, leadership programs and councils can provide valuable context. By listening to government leaders discuss their priorities and constraints, vendors can bring practical intelligence back to their sales, marketing and product teams — and better align their solutions with the public-sector mission.

5. The Bigger Strategic Risk: Treating These Changes as Separate Trends

Perhaps the most important thing to remember is how closely these developments are connected.

AI adoption increases the importance of data quality and governance. More interconnected systems introduce new security and accountability considerations. Workforce shortages intensify the need for automation. Budget constraints make operational value and implementation feasibility more consequential.

These forces influence one another, creating a more complex buying environment. For vendors, this means isolated responses may not be sufficient.

Adding AI messaging to an existing campaign does not necessarily address changing buyer expectations. Expanding product functionality does not automatically resolve implementation barriers. Increasing marketing activity does not guarantee relevance if the message is disconnected from government priorities.

The strategic challenge is organizational alignment.

Five Areas Where Vendors Should Reevaluate Their Approach

1. Market positioning | Does your value proposition reflect the problems government organizations are prioritizing, or is it built around your existing product categories?

2. Product and services roadmaps | Are you investing in capabilities that address emerging government needs, including the foundational requirements necessary for successful implementation?

3. Buyer engagement | Do your sales teams understand the technical, financial, operational and procurement considerations that shape government purchasing decisions?

4. Marketing strategy | Are your campaigns building credibility around relevant government challenges, or relying on broad technology messaging that competitors can easily replicate?

5. Performance measurement | Are you connecting marketing engagement and sales activity to qualified opportunities and customer outcomes, or relying too heavily on indicators that do not establish purchasing intent?

The cost of strategic misalignment may not be immediately visible. A company can generate leads, produce content and participate in government opportunities yet gradually becoming less differentiated in the eyes of buyers.

The risk is not simply missing the next technology trend. It is failing to recognize how multiple trends are changing the basis on which vendors compete.

6. Five Questions Every Executive Team Should Be Asking Now

Rather than responding to every emerging technology development independently, executive teams should examine whether their broader market strategies reflect the changing government environment.

1. Where are government priorities moving faster than our current strategy? Identify areas where evolving customer needs may create gaps in your positioning, capabilities or market coverage.

2. Which opportunities are we overlooking because they fall outside our traditional product categories? Consider adjacent needs involving data governance, integration, security, implementation and operational modernization.

3. Are we engaging all stakeholders that influence government purchasing decisions? Understand how IT, cybersecurity, finance, legal, procurement and operational leadership contribute to technology evaluation.

4. Can we clearly demonstrate why our solutions matter to government organizations today? Evaluate whether your messaging and supporting evidence address current operational challenges rather than relying on product differentiation.

5. What would a competitor need to do differently to become more relevant to our target customers? This may be the most revealing question.

A competitor does not necessarily need a superior product to strengthen its market position. Better alignment with customer priorities, clearer evidence of value and more effective engagement with decisionmakers can create meaningful advantages.

The objective is not to react to every market development. It is to identify the changes most relevant to your customers and ensure your company is positioned to respond.

Conclusion: The Next Competitive Advantage Is Strategic Alignment

Government technology investment is evolving, with implications that extend across nearly every segment of the public sector technology market.

AI is becoming embedded in existing technology priorities. Data readiness is shaping modernization efforts. Security and accountability are influencing vendor evaluation. Operational efficiency and workforce capacity are increasing the importance of measurable outcomes.

Together, these forces are changing what government organizations need from their technology partners.

For vendors, the opportunity is substantial — but it is not automatic. Recognizing market trends is only the beginning. Competitive advantage depends on translating those developments into product decisions, market positioning, buyer engagement and credible demonstrations of value.

It's not enough to simply be aware of these changes. Your strategy needs to reflect them.

The vendors best positioned for the next phase of government modernization will be those that understand where priorities are moving, recognize the constraints shaping purchasing decisions and align their offerings with the outcomes government organizations need to achieve.

The question is whether your organization is preparing for that environment — or continuing to compete as though the market has not changed.

Turn Government Market Shifts Into Competitive Advantage

Understanding where government priorities are moving is important. Engaging with the leaders shaping those priorities can make that intelligence actionable.

e.Republic helps technology companies better understand public-sector needs and connect with government leaders through market intelligence, events, programs and councils, and strategic marketing opportunities. Together, these resources can help inform product strategy, strengthen market positioning and build more meaningful government relationships.

Contact your e.Republic Account Representative or email marketing@erepublic.com to explore opportunities to engage with the right public-sector audiences and better align your strategy with their evolving needs.

Research Sources

Center for Digital Government — 2026 Digital States Survey. National benchmark examining state government technology modernization, AI adoption, cybersecurity investment, data management, and workforce priorities.

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