# Pivoting to the Public Sector: Where Do ISVs Start?

*Navigating recessionary pressure by selling to federal, state and local governments.*

# Introduction

Given the meteoric rise of cloud computing, independent software vendors (ISVs) have long considered the commercial sector their most important target market. But, with a potential recession looming, ISVs may soon encounter a commercial slowdown that could greatly impact revenue growth.

Fortunately, there's light at the end of the tunnel. The U.S. public sector — a market that includes state, local and federal government agencies — is not only an opportunity to weather the storm, but also a chance to catalyze growth for years to come. By pivoting to the government market, ISVs can persevere through uncertainty and come out stronger on the other side.

**Of course, that raises the question: Where do you start?**

In this white paper, we discuss the state of the economy, the safety of the public sector and how ISVs can begin selling to government agencies with speed and confidence.

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# Slowdown in the Commercial Sector

Without question, the cloud computing market has been thriving around the world for quite some time. According to Gartner, worldwide public cloud spending is worth roughly **$600 billion in 2023** — an entire $100 billion greater than it was in 2022.[1] Based on current growth rates, cloud services will soon account for over 25% of the world's total IT spend.

However, recessionary fears are growing in nearly equal measure. As concerns rise, they're likely to have an impact on enterprise customers as they prepare for financial turbulence. According to the World Economic Forum (WEF), **91%** of chief economists expect the United States to experience weak economic growth.[2] A further 24% expect high inflation. Globally, almost two-thirds of economists anticipate a worldwide recession in 2023.

**So, what's the cause of commercial sector instability? Let's examine two likely culprits:**

**Weak demand:**
Globally, 91% of economists say low demand is significantly impacting economic activity. As more enterprises tighten their belts in preparation for financial turmoil, their overall demand has started decreasing. In other words, they're spending less on cloud services — a bad sign for ISVs everywhere.

**High cost of borrowing:**
87% of economists also say that the cost of loans will continue to be a significant drag to economic activity in 2023. For ISVs, it means organizations are less willing to borrow money that might otherwise be spent on cloud service offerings.

**Inflation:**
Simply put, budgets aren't stretching as far as they used to before 2023. Businesses are combating decades-high inflation rates that haven't been seen since the 1980s.[3]

These factors, among other things, are greatly impacting the commercial side of the cloud computing market. According to the WEF, 86% of economists expect businesses to reduce costs by significantly cutting operational expenses. Moreover, Flexera reports that optimizing the cloud for cost savings is the top initiative organizations plan to make progress on in the coming year.[4]

1. www.gartner.com/en/newsroom/press-releases/2022-04-19-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-reach-nearly-500-billion-in-2022
2. www.weforum.org/agenda/2023/01/global-recession-economic-outlook-2023
3. www.cnn.com/2022/07/13/economy/cpi-inflation-june/index.html
4. info.flexera.com/CM-REPORT-State-of-the-Cloud-2023-Thanks?revisit

# Weathering the Storm: Entering the Public Sector

*The U.S. public sector is one emerging market that could offer safe haven to ISVs — not only for the short term, but for years well after the current state of uncertainty.*

COVID-19 significantly accelerated federal cloud adoption, converting many fence-sitters into full-fledged proponents. By 2021, federal agencies were spending roughly **$8.1 billion** on cloud computing.[5] Per Deltek research, this number will skyrocket to over **$18.6 billion in 2024** — an enormous three-year increase.[6]

States are also increasingly at the forefront of cloud computing. A January 2021 survey revealed that **70%** of state and local government executives said the cloud is their preferred environment for hosting citizen and mission data.[7] Furthermore, **60%** of state chief information officers (CIOs) said they would like to expand their use of managed services over the next three years, **89%** saying they'd also like to expand "As-a-Service" models specifically.[8]

## Government cloud compliance

Unfortunately, entering the public sector isn't so simple. As treasure troves of sensitive data, agencies are frequently fending off cyberattacks. To better protect critical information systems from a potential breach, governments hold federal, state and local agencies accountable through various cybersecurity frameworks. These regulations include the:

1. Department of Defense (DoD) Impact Levels (IL2, 4, 5 and 6).

2. Cybersecurity Maturity Model Certification (CMMC) program.

3. Federal Risk and Authorization Management Program (FedRAMP).

4. State Risk and Authorization Management Program (StateRAMP).

ISVs process government data, which is why agencies are increasingly mandating that vendors become FedRAMP, StateRAMP, CMMC or DoD authorized before doing business.

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5. www2.deloitte.com/us/en/insights/industry/public-sector/public-sector-cloud-adoption.html
6. iq.govwin.com/neo/marketAnalysis/view/Federal-Cloud-Computing-Market-2022-2024/57543?researchTypeId=2&researchMarket=
7. maximus.com/sites/default/files/documents/FedRAMP_Survey_Results.pdf
8. www.nascio.org/wp-content/uploads/2020/10/2020-State-CIO-Survey.pdf

# Project Hosts: Your Cloud Compliance Launchpad

Simply put, cloud compliance is tough. All frameworks have their own particular requirements, but one thing remains the same: ISVs have to provide certifiable proof they've incorporated all of them to completion.

This means implementing dozens — sometimes hundreds — of security controls, continuously monitoring them and rectifying vulnerabilities as they arise. These steps can be a serious burden for ISVs that may not even have cybersecurity professionals on staff to manage the ongoing compliance process. By the end of the years-long journey, ISVs can expect to pay hundreds of thousands (if not millions) of dollars before even receiving an authorization.

There has to be a better way — and luckily, there is.

**Project Hosts offers three turnkey solutions to obtaining cloud compliance authorizations:**

**Compliance Inheritance:**
Take the pain out of implementing security controls by connecting your cloud solution to our pre-authorized Platform-as-a-Service tool, the General Support System (GSS). With our platform, you can easily inherit compliance by outsourcing at least 80% of controls to Project Hosts. Auditors only have to evaluate the remaining 20% at the software level, greatly accelerating your authorization journey.

**Compliance by Certification:**
For ISVs choosing to go through the assessment process, we prepare them for the audit, engage assessors on their behalf and share our policies and procedures to set you up for success from the very beginning.

**Continuous Compliance:**
Lean on our expert operation and security teams to continuously monitor your solution, prevent intrusion, patch your environment and ensure you never fall out of compliance.

At Project Hosts, our teams are experts in FedRAMP, StateRAMP, DoD and CMMC. That means no matter your needs, we empower you to make the most of the fast-growing federal, state and local cloud computing markets.

Whether you inherit compliance or brave the certification process, rest assured that we're in your corner every step of the way. Using our turnkey solutions, you can become cloud compliant in just 14 months for a fraction of the usual cost. Continue leveraging our continuous compliance services or take our procedures and run with them on your own — the choice is yours.

Learn more about how Project Hosts can simplify your cloud compliance journey by **contacting our team today.**