Once a city has a clear innovation agenda and executes its first experiments, new challenges arise around the internal capacity to support the expected digitalisation pace and value-adding services.

**Challenges**

- Lack of capability around innovation is one of the most common challenges for city teams. In many cases, they have a mandate to innovate and yet struggle to manage complex innovation issues such as data-driven design, user-centric approaches, agile methodologies and prioritisation techniques.

- There is a cultural clash between internal IT teams and the innovation approach to build products. Common problems are the management of legacy products and interoperability, along with the shortage of IT professionals.

- Scarce ready-to-use digital tools for cities. Not all cities have the capacity to build their own internal digital products. Some regret not having more ‘Govtech’ tools available to them.

- Data aggregation from different departments continues to be an issue. Interoperability of systems and politics, along with the fear of not complying with regulations (e.g. GDPR), lies at the core.

**Recommendations**

- Implement continuous mindset transformation programmes to shift the attitude towards change. For some cities, shifting the mindset to fit a city-as-a-service paradigm was ground-breaking.

- Organise an open forum to share best practices, processes and culture, both internally and externally (e.g. by inviting external experts).

- Create a data control centre where all city data is centralised, normalised and monitored (e.g. by using connected devices).

- Increase the knowledge and use of agile methodologies (e.g. iterative or user-centric design) for product development and process re-design.

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This report was created through a combination of qualitative and quantitative research methods. The study began with an initial focus group in Sweden, with a curated heterogeneous selection of iCapital cities, including winners, finalists, and runners-up of the iCapital awards from 2014 to 2022. A total of 16 cities were featured in the study.