The Risk of the Digital Status Quo

EXECUTIVE SUMMARY

Governments across the world are reaping the benefits of digital technologies, from creating efficiencies to enabling new services, and enhancing openness and transparency. Embracing technology, however, can be hampered by government leaders’ perceptions of and appetite for risk. Leaders tend to focus on assessing the risks and cost associated with embracing new technology and systems and can fail to account for the risks associated with maintaining the status quo.

This paper examines the repercussions of failing to adopt digital technologies to improve public services in Canada. It was informed by a series of interviews, a survey, and a roundtable discussion with senior Canadian public servants. The analysis also drew on the knowledge of 16 current and former government leaders from the United Kingdom, Scotland, New Zealand, Australia, Finland, the United States and Canada to understand the global context around this issue and build new insights into how to overcome this challenge.

There are four key risks associated with maintaining the status quo:
1. **The legacy systems risk** arises from the use of outdated technologies that may no longer be supported by their creators, require special skills to maintain, create barriers to integration with new technologies, and require significant spending to maintain. This risk includes the impact of outdated procurement methods that lead governments to maintain legacy systems instead of seeking newer enabling technologies. Factoring in the legacy systems risk provides a more holistic picture of the price of maintaining the status quo versus moving forward with digital transformation.

2. **The cyber security risk** increases with the use of legacy systems due to the inability to secure them and a lack of updates. Legacy replacement must be framed as a cyber security issue in digital transformation risk assessments.

3. **The culture and people risk** are multifaceted: first, failing to keep up to date with digital transformations may drive away emerging talent in an increasingly competitive and digital labour market. Second, workplace culture can tend to be stagnant, creating a significant barrier to digital transformation.

4. **The risk of service failure** increases as the gap between government service delivery and citizen expectations widen. Failure to embrace expectations could lead to irrelevance, citizen frustration and eventual disengagement.

Governments need to consider the risks associated with maintaining status quo, not just those arising from change and modernization. Strategies identified for dealing with the status quo risk include:

1. **Factor in the cost of legacy maintenance** when considering digital transformation. This should include the skills costs, the risk of losing the ability to understand and support legacy systems and the accumulating
technical debt in legacy systems. This additional analysis will provide a much more complete picture around digital transformation decisions and the potential cost savings and risk mitigation to be gained by transformation. Reviewing outdated procurement processes will also enable the consideration of long-term digital opportunities.

2. **Frame the need for legacy replacement as a cyber security issue** to elevate its importance. The potential impact of digital transformation is best assessed when weighed against the potentially greater risk of cyber security issues such as a data breach — and being publicly named and shamed for it.

3. **Factor in the financial cost of cyber security risks posed by legacy systems.** Organizations that are affected by a breach must consider the cost of data loss, business disruption, regulatory penalties and other factors when evaluating the overall costs of digital transformation. This provides a more complete picture of the overall risk analysis for making a change.

4. **Leverage digital transformation to attract and retain talent.** Shifting to a digital workplace culture and embracing flexibility, innovation and rapid technology adoption can reduce the risk of losing or failing to attract skilled workers. In an environment where private and public sectors are competing for the best talent, considering how digital transformation can attract talent is key.

5. **Factor in the risks to government relevance and citizen engagement,** which is now a key performance indicator for many governments. Governments need to improve how they provide services in order to meet the needs of their citizens. Resisting digital transformation risks diminishing citizen engagement.

The status quo represents a substantial risk and should be a core part of the
overall risk assessment process for any digital transformation initiative.

Read the report

See the survey