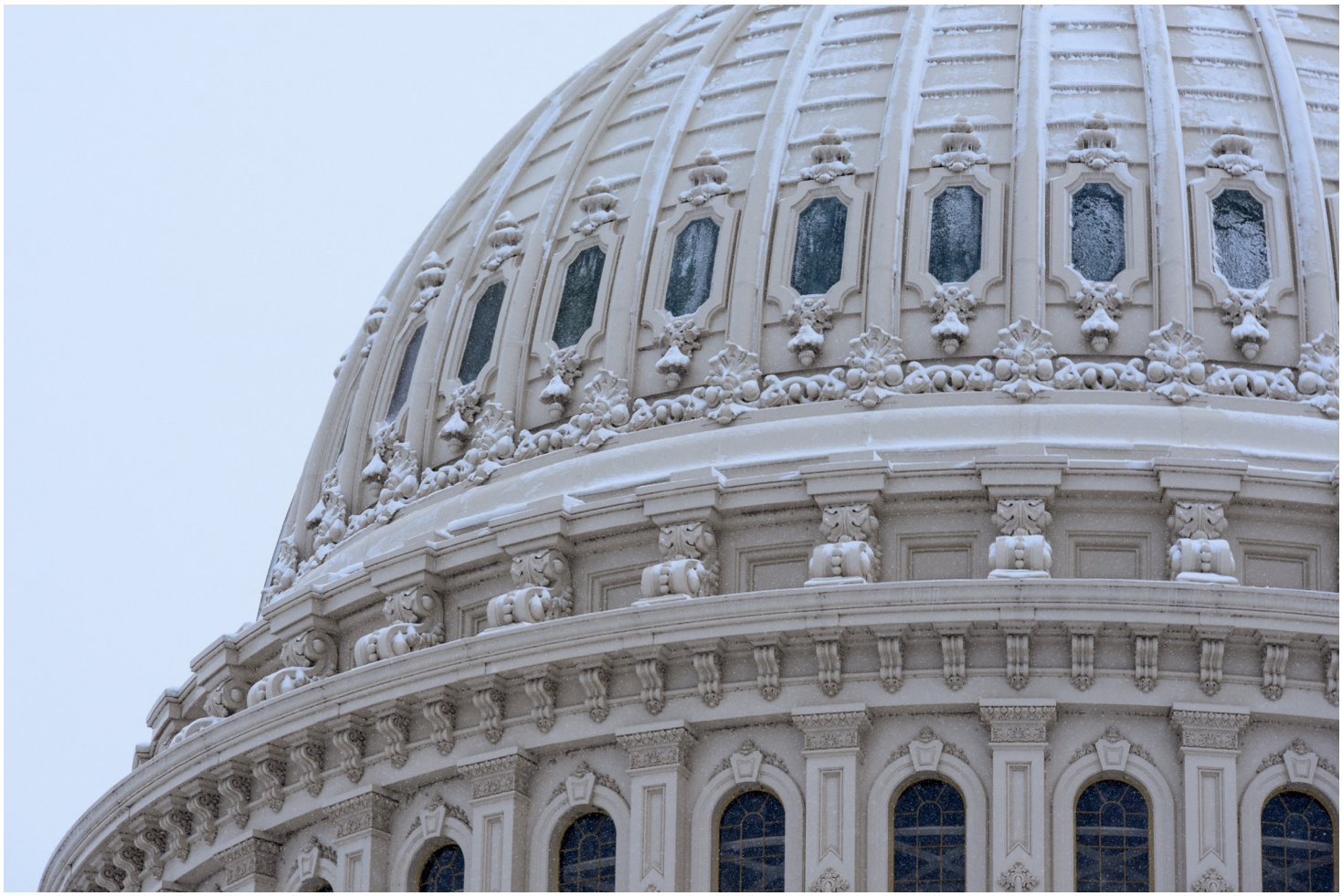
To prepare for future shocks, governments need to embrace innovation—and risk



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Kee Won Song, global lead for government research at IBM's Institute for Business Value (IBV), sums up the challenge of modernizing government organizations like this: "For any real innovation, you're going to have to take some risks, and governments do not typically do enough to incentivize risk-taking." The aversion is evident in government CEOs' stance on the risk-reward calculation of investing in sustainability. According to IBV's 2022 CEO Study "Own Your Impact," government CEOs (cabinet ministers, agency heads, etc.) say the biggest barrier to achieving sustainability objectives is a lack of clarity around the return on investment. But Song says that when it comes to sustainability, "government leaders need to be thinking about the risk of *not* taking pre-emptive action."

IBV experts say that government leaders will need to accelerate their sustainability investments if they want to respond to "future shocks"—highly disruptive events that include climate-related catastrophes such as floods, hurricanes and wildfires as well as social unrest, financial crises and another we're all too familiar with: pandemics. In the past, these relatively rare events were called "black swans" but now, "they're not really black swans anymore, because they're happening so regularly," says Mike Stone, Managing Partner, Global Government at IBM Consulting.

Future shocks are, in essence, sustainability crises. Many are environmental—the *E* in ESG—but it's important to remember that social and governance issues like social justice, fair labor, financial security and healthcare are sustainability issues as well, and governments need to build resilience to potential crises related to all of these areas. The more frequently these disruptions occur, the more citizens need—and expect—support from their governments. Investing in sustainability is imperative, and those investments need to include technologies that can help predict and prepare for future shocks. It's a broad challenge for governments, which IBV Research Director David Zaharchuk says functions like an ecosystem of industries—"everything from street sweeping to nuclear arms management."

While future shocks are undoubtedly a threat, they also present an opportunity for government leaders to clear a path for innovation and achieve key objectives: According to "Own Your Impact," government CEOs' top priorities for the next two to three years are delivering better customer service and generating more accurate forecasts. Sustainability ranks behind those goals, but given the increasing frequency of environmental and social crises, all three of these priorities are ultimately intertwined. Taking a holistic view of sustainability—including social and governance concerns as well as environmental issues—and incorporating it into core organizational strategies can help leaders make progress and drive results:

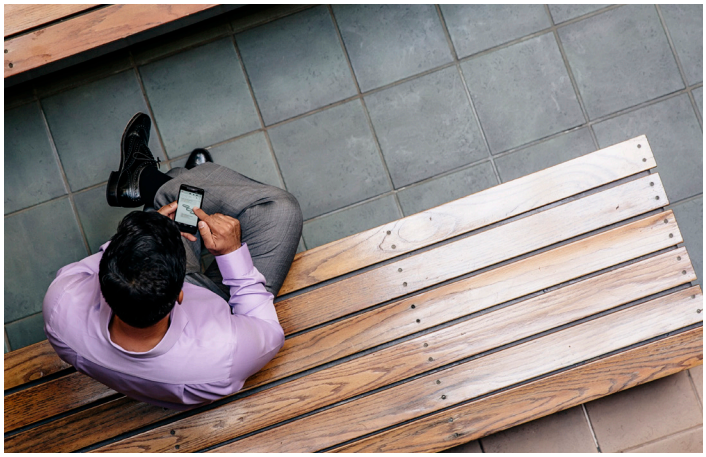
There is no single solution that will prepare the public sector for the potential crises ahead, but strategic investments in technological foundations can promote more holistic sustainability initiatives. Here are four areas where governments can invest in technologies to drive sustainability outcomes, improve business performance, forecast disruptions and provide better service to citizens:

Logistics efficiency

"Own Your Impact" highlights several private sector businesses that have built more sustainable retail, transportation and distribution operations through technological innovation. This includes implementing AI and intelligent workflows as well as using sensors to enable more efficient maintenance. These same innovative technologies can have enormous impact in government organizations. "The U.S. Defense Logistics Agency maintains 9 global supply chains and is responsible for meeting the entire armed forces' global supply requirements for organizations around the world. The fuel costs and the environmental risks are enormous, but the sustainability opportunities for them are huge." The same opportunity for efficiency exists in critical infrastructure like global posts and emergency response operations.

Cybersecurity

The pandemic spurred rapid innovation and modernization in governments worldwide, providing an inspiring vision of what is possible. However, Zaharchuk says, "it happened so fast that it opened up a lot of security gaps." A recent IBV report noted that 2021 was a record year for cyberattacks, in part due to the swift movement of services and operations online. Government organizations need to invest now to strengthen COVID-era technological innovations by closing security gaps and shoring up these systems for upcoming shocks.



Citizen UX

Trust in governments worldwide has been declining for more than a decade: just half of global citizens say they trust their governments, according to Edelman. A big piece of that is a UX issue. In a world where people are accustomed to the frictionless ease of Amazon and Netflix, clunky government interfaces erode trust. "If you try to file for unemployment and the website crashes, that's definitely a big piece of the trust puzzle," says Song. As the world continues to face large-scale disruptions, citizens will need to interface with their governments for critical aid and information, and they want an experience more similar to what digital-first companies provide, including simple logins and pre-populated forms. Investing in intuitive digital interfaces can help build trust and vastly improve efficiency.

AI-fueled data orchestration

Data is a critical tool for successfully driving sustainability, and it is potentially the biggest opportunity for public sector organizations facing future shocks. A strong data foundation can increase situational awareness and enable government organizations to identify and target underserved communities. Using AI-enabled modeling tools, organizations can predict how disruptions and policy shifts might impact the economy and citizens' lives. Because government data is often siloed, building a data fabric is a key opportunity for the public sector. Data fabrics enable organizations to integrate, secure and govern data from hybrid clouds, data centers and edge systems across agencies and departments, allowing authorized individuals to extract the insights they need to make critical decisions.

To learn more about how government organizations can accelerate their sustainability strategies and prepare for future shocks, read the 2022 CEO study "Own Your Impact."

IBM Corporation
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Armonk, NY 10504

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