Digital equity: empowering all organizations to succeed in the digital era

Thriving organizations create the foundation for thriving people, communities, and societies. In an era characterized by rapid change, uncertainty, and the convergence of cutting-edge technologies, leading organizations are leveraging digital technologies to improve efficiency and productivity, increase resilience, and deliver high-quality, human-centred products and services. The ability to participate and succeed in the digital world has become essential for organizations across all sectors.

But not all organizations are equipped to seize digital opportunities. Across Canada, many are struggling to make the right digital investments, hire the right digital talent, and navigate the constantly evolving regulatory and cyberthreat environments. Small and medium enterprises (SMEs), non-profits, and public sector organizations are disproportionately impacted by these challenges. Without bold and coordinated action, we expect to see deepening disparities between those who can succeed and those who can't.
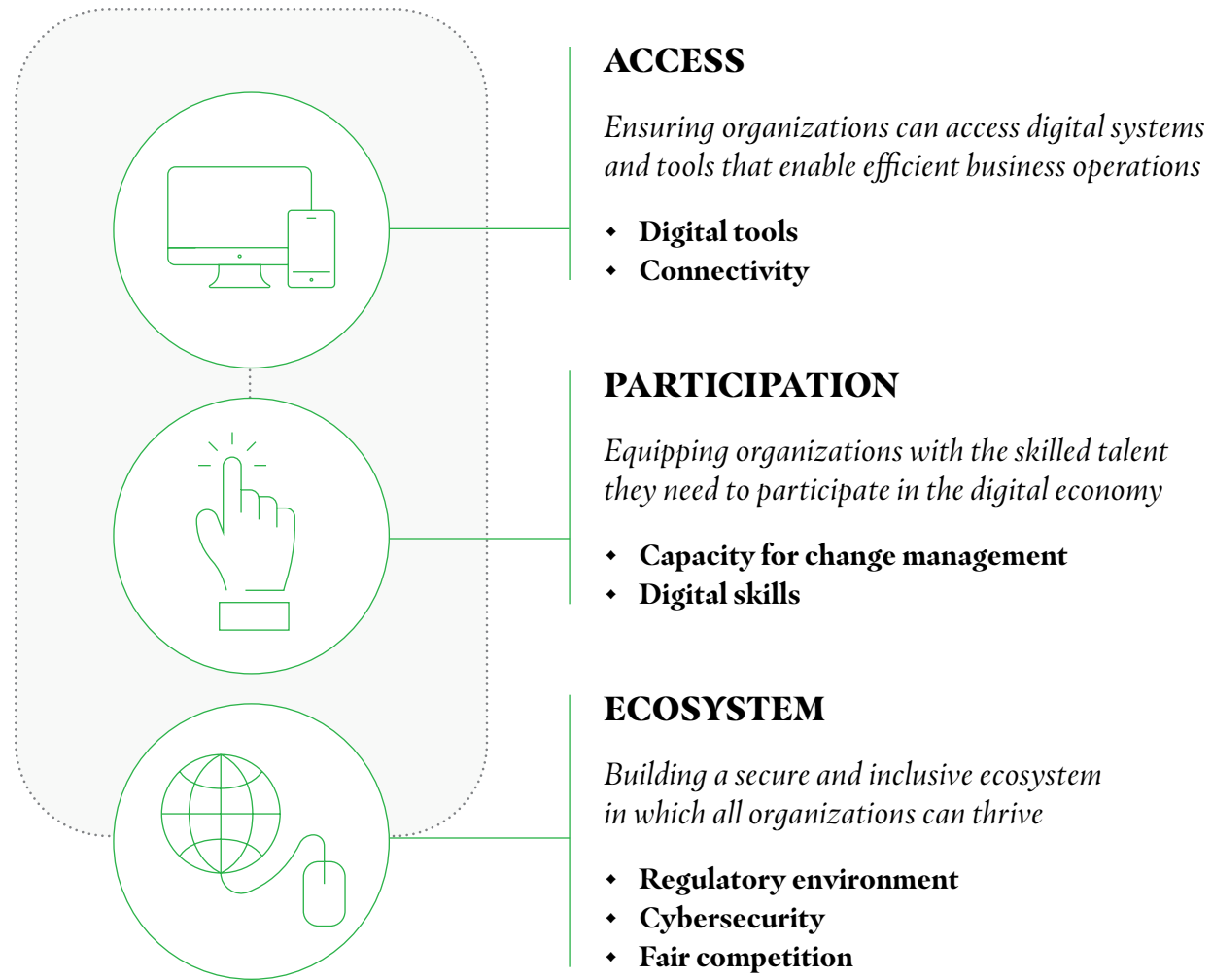
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In this report, we consider the barriers to organizational success through the three pillars of digital equity—access, participation, and ecosystem—and make recommendations for organizational leaders and policymakers to put Canada on the path to a digitally equitable future. We envision this future as one in which **all organizations—regardless of size, sector, or location—have access to digital tools, are able to participate in the digital economy as they see fit, and are empowered to shape and thrive in the next-generation digital ecosystem**.

Scope

The second report in our series, Digital equity: focusing on every Canadian's digital future, explored the role of organizations in improving digital equity for people. This report focuses on the digital divide among organizations. Its purpose is not to persuade non-adopters to adopt digital technologies. We assume that leaders already understand the benefits of doing so, including improved efficiency, productivity, and organizational resilience, which we explored in the first report in our series, Digital equity: spotlighting Canada's divide. Our goal with this, the third and last report, is to identify the challenges experienced by adopters and would-be adopters—those who want to adopt but don't know how or where to start—and to propose solutions to those challenges.

Pillars of digital equity

We define digital equity as a state where all people and organizations can fully benefit from the digital technology necessary to succeed in the digital economy. We believe digital equity is a product of three pillars that are interlinked and interdependent: access, participation, and ecosystem.

ACCESS

Ensuring organizations can access digital systems and tools that enable efficient business operations

- **Digital tools**
- **Connectivity**

PARTICIPATION

Equipping organizations with the skilled talent they need to participate in the digital economy

- **Capacity for change management**
- **Digital skills**

ECOSYSTEM

Building a secure and inclusive ecosystem in which all organizations can thrive

- **Regulatory environment**
- **Cybersecurity**
- **Fair competition**

Connecting every organization with the right digital tools

To succeed in the digital world, organizations need access to the internet, internet-enabled devices, and digital systems and tools that enable effective business operations.

The digital devices, systems, and tools organizations need to thrive will differ depending on factors such as their sector and industry, size, and growth objectives. They may need digital tools and systems that enable:

- Effective, efficient, and secure business operations

- E-commerce sales and enhanced client experiences

- Employee engagement and collaboration, especially in hybrid and remote teams

Challenges

The cost of software is the biggest barrier to digital adoption, according to our survey respondents. Two-thirds **(67%)** described the cost of software licences and subscriptions as somewhat or very challenging, with one in four **(25%)** describing it as a great challenge.

However, it's not just about finding the money to invest in digital technology; it's also about deciding where that money should go. Our research found that **many organizations don't know which digital tools to invest in**. Faced with an ever-evolving marketplace of technologies, many leaders are struggling to determine which tools are the most useful, the most user-friendly, and offer the best

value for money. A majority **(58%)** of our survey respondents said uncertainty about which technologies would be most beneficial to the organization was somewhat or very challenging. A related challenge is difficulty choosing between competing software vendors or cloud service providers—**56%** of respondents said this was somewhat or very challenging.

For many organizations, particularly SMEs, the kind of expertise needed to guide digital investment decisions doesn't live within the organization. Without such guidance, many end up investing in solutions that don't quite meet their needs or aren't quite what they paid for.

At the same time, **qualified advice to guide digital investment decisions is expensive.** For many SMEs and non-profits, cost is a barrier to accessing expert advice. And while funding and other supports exist for business technology adoption, awareness of them is limited and uptake is low.
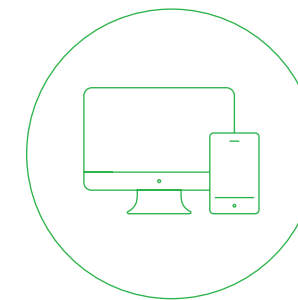
Calls to action

FOR ORGANIZATIONS

◆ Develop an **upfront digital investment strategy** that clearly links digital investments to broader business objectives

◆ Find creative ways to **address knowledge gaps** around digital solutions, such as engaging in industry events and associations to stay up to date on the latest innovations

FOR GOVERNMENTS

◆ Consider **crafting new incentives and grants** for digital investments

· *In particular, the federal government should consider creating a fully refundable investment tax credit for SMEs to incentivize the digital modernization of operations, with a parallel granting program available to non-profits*

◆ **Improve the uptake and utilization of government programming** to support digital adoption

Ensuring organizations have the skills to thrive in the digital economy
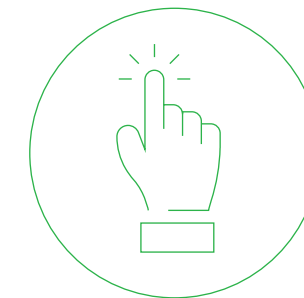
To benefit from digital investments, organizations need a digitally adept workforce. While the demand for talent with such skills has been growing for decades, the pandemic accelerated the rate of digital transformation—and consequently the demand for digital skills, both general and specialized.

Challenges

The demand for digital skills is much higher than the current supply of Canadian workers who have them. And this demand is only expected to increase, with one estimate forecasting that nine out of 10 jobs will require digital skills by 2030.[1] Nearly half **(49%)** of the business leaders we surveyed said hiring digitally skilled workers was somewhat or very challenging. This increased to over two-thirds **(67%)** when we exclude respondents from organizations with fewer than 10 employees.

While organizations of all sizes are feeling the impact of digital skills shortages, **the odds are stacked against smaller organizations in the competition for digitally skilled talent**. Larger organizations tend to have more financial and human resources available to support their recruitment and hiring efforts. They are also better positioned to offer competitive compensation packages. Among survey respondents from organizations with more than 10 employees, **78% said an inability to match the salaries and benefit packages offered by large corporations was somewhat or very challenging**.

Governments face unique barriers to hiring and retaining digitally skilled talent. These include slower and more administratively onerous hiring processes, pay bands and career advancement opportunities that do not align with what's available to highly skilled tech workers in the private sector, and variance in the quality of digital tools available to public servants across different departments and agencies.

In the midst of a tight talent market and a dearth of digital skills in the pool of job seekers, **organizations are also grappling with digital skills gaps among their existing workers**. We asked business leaders to estimate what percentage of their employees had the digital skills to do certain tasks. Among those from organizations with at least 10 employees:

- **69%** said at least three-quarters of their employees had the skills to communicate with colleagues online and use digital collaboration tools

[1] Robert van Eerd and Jean Guo, "Jobs will be very different in 10 years. Here's how to prepare," World Economic Forum, January 17, 2020.

Calls to action

- **67%** said at least three-quarters of their employees had the skills to use digital devices and basic software applications

- **60%** said at least three-quarters of their employees had the skills to search for and evaluate information online

And these are the most foundational digital skills—the same leaders estimated fewer workers possessed the more advanced skills. For example, less than half (42%) said at least three-quarters of their employees had the skills to create and modify content online, and less than a third (30%) said at least three-quarters of their employees were able to protect digital devices and avoid cybersecurity risks.

In this context of shortages and hiring challenges, upskilling is more important than ever. But **many organizations—SMEs in particular—don't offer or facilitate digital skills training opportunities for staff.** In 2021, Canada ranked 25th among 29 countries for the proportion of businesses that provided training to develop information and communication technologies (ICT) skills for persons not employed in the sector: just 11.3% of businesses with 10 or more employees indicated that they had provided any type of such training for non-ICT specialists, compared to the OECD average of 19.5%.

FOR ORGANIZATIONS

- Formulate **a clear, persuasive talent value proposition** that speaks to tech workers

  · *Organizations should clearly articulate their purpose, or mission, and **seek out people who value that vision**—this is especially important for organizations that can't necessarily compete on salary*

- Create and nurture a workplace **culture of continual learning**

- Collaborate with peer organizations, governments, and academia to create **industry training hubs**

- **Leverage massive open online courses** for on-demand learning

FOR GOVERNMENTS

- **Improve existing incentives** for organizations to invest in upskilling

- Make it easier for employers (and workers) to find suitable skills training opportunities

  · *Consider creating **a centralized online repository or one-stop portal for upskilling** that's accessible to employers, individuals, and training providers alike*

- **Scale up mechanisms that temporarily bring private sector tech workers into government** for a "tour of service"

Building a secure and inclusive digital ecosystem

Organizations need a vibrant ecosystem of policies, regulations, and business practices that enables entities of all sizes and sectors to thrive, with:

- Clear and predictable rules governing how organizations can responsibly use personal data

- A policy environment that accelerates and incentivizes digital adoption

- A safe and secure cyberspace and cyber-smart work cultures

- The ability to access online marketplaces on fair terms

Challenges

Regulations governing data protection and privacy differ across provinces, which creates high compliance costs, particularly for organizations that operate in multiple Canadian jurisdictions or globally. SMEs face greater difficulties than larger organizations in adapting to changing regulatory frameworks.

At the same time, **Canada is falling behind its global peers in implementing policy instruments that accelerate business technology upgrades and adoption**, such as e-invoicing requirements and open banking.

Cybersecurity threats continue to grow better in both frequency and magnitude. The Canadian Centre for Cybersecurity has reported an increased number of ransomware attacks affecting Canadian organizations. Yet, due in part to the complexity and scale of the cyberthreat landscape, **many organizations have limited knowledge and awareness of cybersecurity issues**. Smaller organizations in particular often lack the awareness, resources, and capacity to invest in adequate protection; and few non-profits have data security and privacy on their radar as basic operational requirements.

Finally, **while online platforms have created significant opportunities, business users, especially SMEs, have limited to no bargaining power to negotiate the fees and terms of their use of these platforms**. There is no well accepted technical standard that facilitates the transfer of data between online platforms—and porting data from one provider to another can be prohibitively difficult and expensive for SMEs. High switching costs create the risk of platform lock-in.
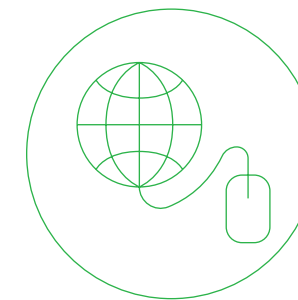
Calls to action

FOR ORGANIZATIONS

- **Designate a data protection and privacy champion** to oversee data protection initiatives, monitor regulatory changes, ensure compliance, and take the lead on developing a data strategy for the organization

- **Educate employees on data protection** and vendor management best practices

- **Make use of freely available cybersecurity guidance**, such as offerings from the Canadian Centre for Cyber Security and the Digital Governance Standards Institute

- Transition from initial awareness-raising to **building a culture of security and privacy by design**, including by revisiting people, process, and technology strategies to identify potential threats and mitigation measures

- **Consider cyber insurance** to help mitigate the financial risks associated with cyber incidents

- For platform leaders, consider expanding efforts toward **increased data portability** to include business users as well as individuals

FOR GOVERNMENTS

- **Align privacy and data protection regulations** across Canadian jurisdictions

- **Support organizations to comply with privacy and data protection regulations**, especially SMEs and non-profits

- **Move quickly to implement laws and policies that accelerate digital adoption**

- Find ways to **securely share cyberthreat information** across sectors

- Increase uptake of the **CyberSecure Canada** program

- Consider **crafting new incentives and grants** for digital investments

The future of Canada's digital landscape depends on interconnected success

Canada is at a pivotal moment in our technological evolution. The convergence of cutting-edge technologies underpins a future brimming with possibilities, promising enhanced efficiency, growth, collaboration, and innovation for organizations of all stripes. In many ways, this future is already here—it's just not evenly distributed yet.

As more organizations embrace digital transformation and realize the potential it carries, leaders must be prepared to address the disparities that threaten progress.

Read the full report to learn more.
You can also access the *data supplement* to this report.

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