

## Chapter 7. Three scenarios to explore what might happen next

*This chapter uses three differing scenarios to examine different pathways that the public sector innovation system could move along. Each scenario is designed to help explore how the system could play out over time.*

Systems are difficult to grasp and public sector innovation systems even more so, particularly given the absence on an analytical lens prior to this review. One of the major critiques of innovation systems analyses in the private sector has been the inability to make them operational and actionable. If everything is connected to everything else, where should decision makers start? To help make the model and understandings presented in previous chapters more actionable in the context of the Canadian public service, the review has selected a new approach to help frame systemic interventions for countries: scenario building.

Scenario building is an analytical exercise that constructs narratives of current and historic trends and events within a certain context, in order to consistently describe possible future trajectories. The aim is to identify possible pathways towards a vision of the future. In a systems analysis exercise, scenarios serve the purpose of avoiding linear, reductive solutions and, instead, look at the system as a whole. Scenario building asks the key question: “What possible sets of solutions can be combined and developed to change the functioning of the system?”

At its core, scenarios, first and foremost, provide a critical outlook on the future. This future framework clarifies the main focal issues and strategic decisions that different organisations face within the system, and establishes inter-relationships between critical decisions and their time horizons. As such, scenarios are used to shed light on the drivers of change (see the exploratory model in Chapter 4), which can make even uncertainty more actionable. Therefore, scenarios are especially useful in the context of innovation, where uncertainty – even in the present – is extremely high.

In a state of such uncertainty there is a continuous threat of failure (which is normal during the process of change). This can continuously derail different activities and lower the system’s appetite for future innovation strategies and activities. Consequently, the robustness of the system as a whole needs to be taken into account, rather than a focus on discrete activities and interventions. In reality, scenario building should be an evolving and continuous process – preparing for the future, not predicting it – and one that engages with a diverse set of actors. It is hoped that this exercise will be the first step on the long road towards building more robust systems.

Based on the analysis of the Canadian public sector innovation system, the OECD has put together three hypothetical scenarios. The “**Zero**” scenario describes the current functioning of the system through the lens of four different traditional types of futures:

- what is probable (likely to happen)
- what is possible (might happen)
- what is plausible (could happen)
- what is preferable (want to happen).

The zero scenario explores the current ability of the system to correct itself under the existing reality, if nothing additional happens.

**Scenario 1** investigates some key policy changes within established functioning areas of government and explores the extent to which they can correct and improve the public sector innovation system.

**Scenario 2** builds a narrative around a total system transformation with a radical change process and vision for the future, as well as a potential upgrading of the overall system in terms of public sector innovation.

The aim of this exercise is to provide clues about important drivers of change, early warning indicators and strategies that may be robust enough to deliver in the face of future challenges. None of the scenarios are intended as predictions or prescriptions, but are instead prompts to think about the future direction of the system, designed to challenge existing, often unstated, assumptions about how events will play out.

### “Zero” scenario: The system continues “as is”

#### Box 7.1. Critical recap of the current state of affairs

There have been several attempts to introduce new thinking into the Canadian public sector innovation system since the beginning of 1990 (the current “living memory” of the system). The public sector has experienced periods that were more or less conducive to innovation as a result of changes in the political economy, style of leadership and increased distrust of the civil service at large, which has been a staple of New Public Management-led reforms around the world. As such, there has never been an overarching narrative that has penetrated into the civil service about why change in the sector is needed, though valid attempts to provide the latter have been made (e.g. the Public Service Modernisation Act, *canada@150*, *Blueprint 2020*, and the Federal, Provincial and Territorial Declaration on Public Sector Innovation).

Consequently, the developments and innovations in the Canadian public sector can be at best described as “pockets of innovation” – initiatives with good intentions, usually linked to their origin (departmentally bounded initiatives or activities reliant heavily on single individuals), that have remained discrete, disjointed and siloed. Some innovations are driven by a top-down push (e.g. experimental directives, grants and contributions as the major supply-side push), while others emerge from the bottom up due to increasing frustration in the civil service. These frustrations are generally rooted in an awareness of changes happening outside the sector that have no equivalent in the workplace. Bottom-up action is, however, available only to a privileged few due to favourable leadership conditions or personal characteristics, which introduce a level of coincidence and, arguably, elitism into the system. Others in less privileged circumstances bump up against a traditional performance management system that does not equate innovation with good results, thereby hardening the “clay layer” of the Canadian government. As such, innovative ideas are not evaluated by their merit, but by the personal characteristics and social capital involved.

Moreover, it is difficult for innovative initiatives to surpass functional areas within government (“parity”). Consequently, departments within the public sector hold onto traditional strategies and engage with low-level demonstration projects (e.g. micro missions) that do not disrupt the status quo of established structures. The system, thus, has the tendency to deal with the symptoms rather than the illness.

Lacking an overarching narrative (“clarity” within the system), different competing logics for change have emerged in parallel across functional areas of government. Varied narratives that have entered the system include, among others: innovation as efficiency gain (e.g. Red Tape reduction), innovation through tools and methods (e.g. GCpedia, GCconnex, experimentation directives, behavioural insights), organisational solutions for innovation (e.g. proliferation of innovation labs), HR solutions for innovation (e.g. micro missions, tiger teams, Free Agents, New Directions in Staffing), innovation through funding (innovation awards, challenges, Impact Canada Initiative) and impact-led work in various iterations (e.g. Results for Canadians in 2000, results and delivery). It seems that

all the different aspects of the system are addressed; yet, these different interventions and the operational logics carry diverging and sometimes contradictory goals (e.g. efficiency vs. impact; quick wins vs. experimentation).

Different interventions and logics are causing incongruence and misalignment in the system. Resources may be poorly allocated and the successes of these various activities do not feed into each other, but may actually distract from each other.

In the absence of a coherent signal explaining why innovation is needed, the centre has tried to engage with the topic by providing technical solutions. However, efforts to introduce initiatives have not taken into account the capacities and cultural and institutional barriers to absorb them, largely because the system's perspective was absent. This creates situations where it is difficult to predict which initiatives will “win out”, because their survival and success is dependent more on fast delivery, positive demonstration (and arguably other arbitrary factors), than their potential to transform the public sector. Many – if not most – of the initiatives have not reached a scale sufficient to challenge the operations of the public sector. The intent is good, but their effects are incremental. In reality, these “technical” signals become a mechanism of selection for innovation in government, likely preventing the most optimal portfolio of innovations in the Canadian public sector from emerging. Many innovations are piloted, but few are scaled up. The system is therefore not “suitable” to sustain a diverse portfolio of innovations – both in terms of allowing radical mission-oriented innovations and bottom-up experimentation. It lacks the feedback mechanisms that allow for these different activities to function at the needed level of scope and scale (“normality” of innovation).

This means that any new, disruptive change the sector faces is also invariably addressed in small “pockets”. The sector is unable to ignore challenges that directly confront it (whether in the form of the sharing economy or digital transformation); however, in many cases transformative thinking is delegated to small teams with sunset clauses and little follow-through, as continued high-level involvement is lacking. This process effectively hollows out the potential for long-term change. Due to the abundance of highly skilled people in the sector, the system is able to react to discrete crises when they arise, and re-organise accordingly, but this is highly disruptive to the established structures and functioning of government. Lessons learned from dealing with external pressures do not diffuse well in the system. This is further exacerbated by the lack of links with the external environment – both in terms of linkages to citizens (user perspective) and other sources of potential transformative change (technologists, researchers, etc.).

In light of this critical analysis, the assumption of the Zero scenario is that the system will continue “as is”, in the absence of an internal push to significantly change the core elements and functions of government.

### *The risks of Scenario 0*

Based on the aforementioned, there is a high probability that the existing fragmented bottom-up push for innovation will continue. It will find an outlet in initiatives where the interest of street-level innovators' interests coincides with the top-level technical/methodological supply push. “Close-to-the-market” innovations that can use experimentation as a form of legitimacy with directly demonstrable outcomes will survive, while others will perish or have to wait for exceptional windows of opportunity (externally induced crises or high-level innovation champions). Innovation will continue to be associated with the efforts of individuals (their tenacity and confidence) rather than the

underlying merits of the ideas. This will also be the biggest predictor for the survival of public sector innovation labs – those without immediate and directly “demonstrable” impact will be shut down. More long-term oriented, “big idea” labs and task forces will be first to disappear. Others will appear with new hype. Flashes of innovation will appear, technological or otherwise, but the cycle will repeat itself. Only a small minority of innovations will penetrate the system mostly due to coincidental factors (convenient political support, external events, etc.) rather than deliberate design. As the selection mechanisms are highly volatile, organisations will not be able to pick up the ideas with the most potential, and instead will access only the tip of the iceberg.

**Box 7.2. Wild card (low probability, very high impact event)**

**One of the flagship experiments will fail**

In this scenario one of the key pilots validated under the experimentation directive will fail to deliver any results and the ethicality of running the experiment will be publicly questioned. High-level political debate will ensue and escalate quickly, and the whole programme and government action around experimentation will be questioned. As there has not been a systematic effort to evaluate the role of experimentation within the public sector, there are few counter arguments that the proponents of the directive can make. Efforts are still made from the centre to justify the experimentation directive, but since no strategic experiments with (provable) successes have been implemented, positive evidence is painted as anecdotal. Seen as a top-down initiative, few departments are willing to join the debate. The initiative is marred and the program re-directed: a small number of existing experiments are allowed to finish, but they are not highly publicised, or they are reframed as traditional policy trials or pilots.

Some top-down technical/methodological supply pushes – in the form of social impact bonds (SIBs) or behavioural insights interventions – will penetrate the system, usually in high-performing departments and agencies where more radical ideas are the subject of experimentation. This will however further enforce lock-in, as existing activities within departmental functions are amplified. Functional areas with stronger capacity will become stronger in their domain and the weaker areas will become weaker. After the low-hanging fruit is picked, the domain of action will narrow and the search for the next new “technical” aid will commence. Some clarity and consensus will grow over time, but efforts to create strategic intent within the system will be crowded out by flashes of interest in new emerging topics.

Similarly to the private sector – and due to the effects of digitisation – more flat organisational hierarchies will emerge in the government. This will bring about a change in tasks for most civil servants, with more responsibility to make decisions but less time and capacity to do so. The result will be a continued dependence on “technical” solutions for innovation. Middle management within the public sector will increasingly feel the squeeze. Innovation will be added to performance reviews, but will bring confusion rather than clarity. The incentives to talk openly about failures will decrease as the system punishes under-delivery. Consequently, the frustration of potential innovators will grow, some will become jaded and others will leave the public sector.

External signals for upcoming crises will be ignored or missed, as the internal feedback mechanisms to help identify and amplify the weak signals are inadequate.

**Box 7.3. Wild card****The public sector will face a crisis with systemic effects**

Shared Services data centres get hacked, ransom-ware is inserted into the system and a 5-day deadline is given to government to pay for the release of data. There is mass confusion and chaos. Government assembles a crisis team; they shut down the system, but will not be able to find the ransom-ware in time. All the data is destroyed. Digitally dependent services will shut down. Crisis team tries to find a back-up and find re-boot previous data centres, but is unable to do so, because the technology is too old. After months of disarray paper-based analysis of social claims and other service functions will start. Services are extremely slow and public dissatisfaction is incredibly high. Government launches a proposal for alternative solutions. Private sector providers lock government into a cloud arrangement.

***Implications of Scenario Zero***

Scenario Zero helps to illustrate some of the limits of current settings. Given existing efforts and accommodating for how they might play out over time, the scenario asks the question: “Are existing pathways sufficient for a fast-changing world with continued demand for innovative outcomes?”

The scenario also helps to demonstrate that while the risks involved in fostering innovation as a more reliable resource are real, there are also considerable potential risks in sticking with the existing arrangements. In addition, the scenario helps to consider what some of the necessary options might be if the current arrangements continue.

Strategies to operate within the current structure of the system should be developed across three different fields:

- Core strategies:
  - Develop a common narrative for innovation and shared mental mode within the innovation community. Use the review to do so.
  - Ensure innovation is an explicit component in agency strategic plans.
  - Make innovation explicit in performance management – with a positive failure component – and steward and evaluate the practice rigorously.
- Hedging strategies (balancing or compensating transactions):
  - Diversify innovation selection mechanisms including challenge mechanisms with reallocated funding to the centre to subvert reliance on hierarchy.
  - Mandate at least three to four cross-departmental strategic experiments at any given time.
  - Establish an opportunity-cost assessment measure to build understanding within the system of what the long-term costs of not pursuing transformative innovations in the public sector will be.
- Contingency strategies (resilience against possible future events or circumstances that cannot be predicted with certainty):
  - Create a balancing mechanism to negative feedback to innovation: publish routinely success stories and personal experiences in managing the system.
  - “Buy an umbrella for the storm coming”: build enough slack/flexible resources (fix-it squads) within the system to deal with unavoidable crises.

- Crisis monitoring and detection: evaluate resilience of the system periodically as this is the best one can hope for under the current system.

### Scenario 1: Gradual improvement in innovation activities within functional areas

#### Box 7.4. Critical events in the system

A new body (“PSI Canada”) is mandated as the primary forum for stewarding and shepherding the public sector innovation system, involving selected senior leaders from across the civil service. Each member of PSI Canada is put in charge of developing a strategy for different functional areas of the system (e.g. human resources/talent development, public safety, infrastructure and economic development). Members are called upon to articulate the specific roles of each functional area as well as the tools and methods utilised (e.g. challenges and behavioural insights). This will include evaluation of the extent to which these different functions impact the system, the scope and scale of their intended effects and identification of the key players (departments, agencies and external stakeholders) within the ecosystem and their specific functions.

PSI Canada collectively reviews and addresses the discrepancies and contradictory logics between the different functioning areas (e.g. human resource development, funding initiatives, etc.). A unified overarching strategy is created to assist PSI Canada members to collectively work through the various areas and address discrepancies and contradictions. Tools, methods and resources (e.g. experimentation directive, Impact Canada Initiative and New Directions in Staffing) will become intertwined with the innovation goals identified in the functional areas. After an understanding of the synergies and roles is reached, members of PSI Canada set up strategies in their respective functioning areas to build programmes and communities of practice – ecosystems – for innovation. Inevitably, existing mandates are reviewed and resources are re-allocated away from areas seen as duplicating efforts in public sector innovation or that are not in line with the functional strategies. Some initiatives developed at the periphery of the system (e.g. Free Agents) will be organisationally consolidated into core functioning areas. Measures are put in place for transition periods to ensure that new organisational structure innovations can survive. This will reduce fragmentation within the system, but will also minimise possible emergence (a considerable trade-off). However, new organisations (communities, teams etc.) will be also created over time as the tasks and missions within functioning areas become clear. Departments, agencies and teams – old and new – within specific functional ecosystems will have to report to PSI Canada leads in their areas of responsibility.

Leads have the freedom to design processes to spur on innovation in their respective areas, but have to report on the practices back to the forum. PSI Canada will concentrate on a gradual upgrade of the functional areas; however, members will also introduce key flagship projects within their domains and report regularly on the success of the initiatives. PSI Canada members have a dual responsibility: to present and share key lessons learned from their responsibility areas with the committee; and to diffuse learning from other areas within their responsibility domain through communities of practice and other measures. Accountability is built into the system to ensure that the knowledge exchange works, and is routinely controlled.

PSI Canada members also have a responsibility to bring cross-cutting issues to the group. Inevitable conflicts between the agendas of functional areas (e.g. human resource management versus digital development) will be brought to and addressed by the

organization, which is granted full decision-making authority by the political leadership. If issues remain, an overarching conflict arbiter consisting of high-level executives and innovation champions independent of PSI Canada will become involved.

### *The risks of Scenario 1*

This scenario builds upon the idea that synergies can be created by consolidating responsibility at the centre and creating clear accountability structures for the development of the system. Flexibility and autonomy of the system is guaranteed by not pre-supposing a common solution for innovation management across different ecosystems within functional areas. Stewardship of the system is centralised and subjugated to the logic of government functions. As such, the scenario does not drastically challenge the current operating structure of the Canadian government, while organisational changes or changes within specific functional domains remain possible for the improvement of public sector innovation. Nevertheless, in some overarching government areas (e.g. HR), incentives, the reporting structure and, therefore, action have the potential for transformation.

It is highly probable that even with a high-level commitment to the PSI Canada and accountability measures in place to ensure performance across functioning areas, the variable speeds and scope of public sector innovation activities will remain mission-specific. The role and capacity of the leads of certain functional areas will determine the impact of their interventions. However, not all PSI Canada members will have the same drive and buy-in to advance public sector innovation in their respective areas. Competition between functional areas within government will remain, as top-down collaboration will not be able to diffuse within the system at high enough rates. Over the medium and long term, frustration within the system will grow as innovators within their specific ecosystems bump up against different areas where progress is either faster or slower.

To an extent, there will be a backlash against the consolidation of agendas from agency and departmental levels, as they will perceive this as a threat to their ability to freely advance innovation in their organisational domains. PSI Canada will have to battle disjointed feelings of ownership of innovations to ensure the emergence of possible synergies – affecting the scale and scope of initiatives – in their functional areas. One of the key tasks will be to build innovation communities in specific ecosystems. In some areas this will be successful, but in others it will not. Traditional organisational barriers (culture, competition, etc.) will largely remain. Task force members will need to actively counter the “Not Invented Here Syndrome” by building knowledge-exchange platforms and peer-to-peer discussion groups across ecosystems, but the problem will remain.



**Box 7.5. Wild card****Automation of jobs**

Big data and machine learning technologies will go through an exponential growth spurt. They will become accessible to government through companies developing easily interoperable systems for the public sector. This will lead to a large-scale push for the automation of jobs across government's functions more rapidly than ever predicted. Most middle management and analyst jobs will become redundant, as government struggles to reform the system. PSI Canada cannot respond to the challenge, as it has not developed cross-government strategies. The organisation is disbanded and a new "fix-it" team is put in place.

Invariably, at some point the system will be challenged by a crisis that will cross different functional areas. This will possibly happen because of service delivery failures due to unforeseen growth in service demand in two or more functional areas at the same time (e.g. a refugee crisis on a much higher scale). As the system is still fragmented in sub-systems, innovation cannot be called upon to resolve the problem in a timely fashion or provide more than a patchwork response. The system is fragile due to over-specialisation, hindering its overall ability (even with strong co-ordination from the top). In the long term, the functioning of specialisation areas will need to change.

**Box 7.6. Wild card****Radical system challenger**

Under the radar, a small 18F-type (government digital agency) organisation will emerge in one functional area that will radically challenge the operational practices of the whole of government. One or many members of the senior management cadre will provide coverage for their activities, but due to their radical nature and implication in other functional areas, conflict will soon ensue. The battle soon escalates to the senior management where previously built up trust will be damaged. During the debate, the specialisation of the organization will hold, consensus will be reached and the new radical challenger will be burnt by the exchange. Possible improvements proposed for the public sector will be lost in the conflict.

***Implications of Scenario 1***

This scenario shows that the creation of a centralised forum to steward the system will lead to a significant expectation about public sector innovation – possibly too much. The value of a high-level group is that it can provide heft and influence. Over time, if PSI Canada was successful, it is likely that more responsibility would be placed upon it, and the natural tendency of public sector bureaucracies to look to the centre will continue. However, in a setting where increased emphasis is placed on public sector innovation, efforts will need to be distributed, and there will need to be deep engagement across the system, not just in particular nodes. There will also need to be collaboration, as well as co-ordination. If the system is to respond to the need for innovation across the breadth of the Public Service, there needs to be a diversity of structures and networks that allow for this to happen. The structural tendency will be to place responsibility on particular structures or a few actors, whereas it is likely that accountability for innovation will need to cut across the system.

If such an approach were to play out, strategies should be developed across three different fields:

- Core strategies:
  - Assign clear functional responsibilities to the senior leadership members of PSI Canada and clarify how other parts of the system are expected to support or link into the broader innovation agenda.
  - Build up accountability mechanisms to assess advancement within different functional areas.
  - Make negotiated alignment between transversal mission statements and evaluation of results part of the core mandate, and provide members with the right to renegotiate under appropriate terms.
  - Address capacity issues across government functions to engage with innovation, experimentation and so on in specific functional area plans.
  - Build in a rotational leadership structure and continually rejuvenate membership to challenge informal power structures and group think.
- Hedging strategies (balancing or compensating transactions):
  - Mandate the discussion of failures in core functional areas by PSI Canada.
  - Build in strategies to counter “Not Invented Here” biases (peer-to-peer platforms across functions, comparative evaluations across functions, etc.).
- Contingency strategies (resilience against possible future events or circumstances that cannot be predicted with certainty):
  - Every functional lead has to advance at least one cross-departmental, radical, paradigm-shifting experiment.
  - Consider mechanisms to ensure that more radical ideas will not get lost in the system.

## Scenario 2: Radical transformation of the system

### Box 7.7. Critical events in the system

At the executive level, a common understanding emerges that a substantially new level of commitment to public sector innovation is needed. This leads to the Clerk committing to a purpose-driven vision for public sector innovation. For example, in order for the Public Service of Canada to become the most responsive and competitive civil service in the world, it needs to become the leader in public sector innovation.

A task force is set up to establish a common vision for public sector innovation across the civil service. The vision connects the aims of public sector innovation with core public sector reform. A purpose-driven review of the whole public sector innovation system is carried out to clarify all roles and actions in line with this end goal. Functional and topical areas (as well as open data, digital transformation, etc.) are re-arranged under the overarching vision.

Substantial engagement efforts (workshops, panels, focus groups, etc.) are implemented to create buy-in for the vision. Organisations claim their roles and expertise within the vision or they are restructured to fit the vision and its overarching goals. By the end, everyone has a personal connection to innovation and why it is needed, and everyone

understands their roles and responsibilities with regard to the latter. All new measures have to justify their role within the current vision of the public sector.

A new structure to steward public sector innovation is put into place. This will be based on a two-track system: the centre signals needed innovation activities with missions derived from the vision; and the service creates an autonomous structure for more radical innovations that is funded, managed and evaluated under a different structure (this could take a range of possible forms). This ensures that immediate, goal-specific actions do not crowd out emergent, radical innovations that can be simultaneously tested and explored. Ambidexterity of the system is guaranteed. Both activities in their own right serve the overall vision for public sector innovation. Funding is re-organised accordingly. Different evaluator methods for different tracks are developed. Deliberate undermining of the status quo for better long term performance and robustness is guaranteed.

A portfolio perspective for public sector innovation is developed across the system, balancing immediate returns, mid-term goals and more experimental designs. Horizon-scanning activities are internalised and foresight becomes an integrated part of portfolio tasks. The public sector innovation portfolio does not track administrative functions, but instead follows the overall goals of the vision. Ideas can come from anywhere and will be considered on an equal footing. It is easy and seamless for multi-disciplinary teams to come together. This includes not only the public sector, but also the private and third sector, both as sources of ideas and innovation collaborators. The government uses anticipatory regulation (sandbox regulations) to steer critical innovations. In addition, radical experimentation through select partnerships (with key technology developers) is advanced to address potential disruptive innovation. Canada enters into international partnerships to experiment with major transformative technologies for government (e.g. blockchain, AI).

A shift from compliance to enabling collaborative innovation is made. Experimentation across governmental areas is licensed and new business models are adopted at scale (e.g. Talent Cloud, GCcollab).

Real-time feedback mechanism of public sector innovation implementation is developed, and a real-time public sector innovation dashboard is put in place that is defined by end outcomes, not functional areas. The dashboard covers the new innovation portfolio, which is open to speedup learning, collaboration and knowledge exchange. The innovation implementation feedback loop is now functioning.

### *The risks of Scenario 2*

Scenario 2 represents a transformation of the entire system and is thus the broadest scenario with the greatest amount of uncertainty. It is difficult to predict what structures would look like after a full systems transformation because this will invariably depend on the concrete vision that is chosen. This also points to the first issue with this transformative scenario: the public sector may lock itself into a path of transformation that will prove ineffective in the long run. This might occur because opposition is too broad, institutions are too inflexible or there is simply not enough capacity within the system to carry out the process. By the time the signals from emerging practice (and the gaps within them) arrive, the stability of the prior practice could be irreparable damaged. Thus, this route to public sector transformation will require the most flexibility and reflexivity, including continuous and

timely feedback mechanisms and working institutional arrangements that can unearth failures fast.

This scenario will also create the most opposition and pushback from the existing system. Without a high-level coalition and alignment of interests and championship from the top, this scenario will be doomed from the start. Coalitions of this kind can be created, in practice, if there is an awareness (refer back to Scenario Zero) of the understanding and urgency, and the need for change has been internalised by key individuals. Nevertheless, these coalitions can be highly dependent on the existence of key alliances and individual interests, especially in the early stages of the process. In the politically cyclical environment of the public sector, these key individuals may disappear or change positions at crucial moments. Thus, the scenario becomes time-dependent – it is crucial to find the right “window of opportunity” to launch the process and to embed the innovations within the system, so that they are not leadership dependent.

Understanding (buy-in) and operating in a new reality are two different things: a large part of the workforce will acknowledge the need for change, but may feel alienated by the new reality as core tasks (and also the demand for innovation) have changed. Public sector turnover will increase substantially for a period, while some core capacities and capabilities will be lost.

While the portfolio approach to public sector innovation helps to diminish potential lock-in, it is also difficult to maintain in practice and over the short term. It will also cost more than any other alternative. Parallel exploration (emergent, radical experimentation) and the exploitation of capabilities within the system will require very different types of funding, accountability and risk governance models. The traditional tendency will be for the immediate concerns and interests of the current user-base to dominate over the concerns of potential future users. Thus, maintaining public sector innovation portfolios will rely heavily upon the ability of the visionary steward to separate and shield the two different processes – at least while establishing the new practice.

**Box 7.8. Wild card****Movement against AI**

The Government of Canada develops the first ever-functioning low-level general artificial intelligence in the world and adopts it in government. The decision-making process within the public sector speeds up tremendously, and hyper-personalised services become a possibility overnight. With it, a lot of existing analytical tasks disappear and pressure to re-imagine and deliver personalised services becomes the norm. The civil service cannot adapt as fast and an anti-AI campaign originating from the public sector starts and spreads quickly to other sectors fearful of the impending loss of jobs and increased technical demands. Due to mounting public pressure, the government has to shut down its AI application. However, different providers emerge from the private sector where adoption will continue. People adapt to the new reality over time, and after five years, the government tries to reboot its AI, but it has lost some of its capacity over time and the algorithms behind the original technology have aged. As a result, the government has to make considerable investments to re-build or in-source the capabilities.

Radical experimentation across government with emerging technologies will also require a substantial tolerance of failure. Invariably, some of these initiatives will fail – this is expected – but the capabilities and capacities they develop within the system will produce ripple effects throughout the public and also potentially the private sector. However, in the absence of communication strategies to engage the public with a coherent narrative about the need to fail (the “glory of failure”), government involvement in exploratory activities will not continue for long.

***Implications of Scenario 2***

The implication of the third scenario is that there is no innovation utopia. The harder the push for innovation, the harder the reaction against it will likely be from existing structures, powers and processes. Innovation may be needed, but it must be managed to some extent, and too great a transformation too quickly will likely become unmanageable and lead to significant risks for government. A portfolio approach to innovation is required when viewed from a system level, but there are real challenges involved in this approach.

Again, strategies across three different fields can be identified that would aid system robustness with such a scenario:

- Core strategies:
  - Merge different agendas connected to innovation (e.g. innovation, experimentation, impact and digitalisation) into a common dynamic purpose-driven vision.
  - Build system-wide buy-in for the new vision among staff.
  - Develop a two-track innovation exploration and exploitation model within the system that crosses all administrative bounds.
  - Develop a portfolio perspective to public sector innovation and ensure stewardship from the centre.
  - Establish a real-time public sector innovation dashboard based on the new vision.

- Hedging strategies (balancing or compensating transactions)
  - Recognise different types of uncertainty and build capacity accordingly.
  - Build cross-sector partnerships (e.g. technology commons) with key tech developers.
- Contingency strategies (resilience against possible future events or circumstances that cannot be predicted with certainty)
  - Recognise different types of uncertainty and collect information accordingly.

### Possible futures

There are any number of possible futures for the public sector innovation system, depending in part on the decisions and actions taken by actors across the Public Service of Canada and beyond. This chapter has attempted to highlight some of the different pathways – to continue as is, to build on and extend, or to pursue radical transformation – and to reflect on the considerations that might accompany each option.

As noted throughout this report, there is no one right path for the Public Service of Canada as it proceeds along its innovation journey. What is needed will depend upon where it wants to go. This chapter seeks to aid reflection about that destination, prompt thinking about how events might play out and why, and to help provoke a more explicit articulation of what the Public Service of Canada wants from its innovation journey.



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