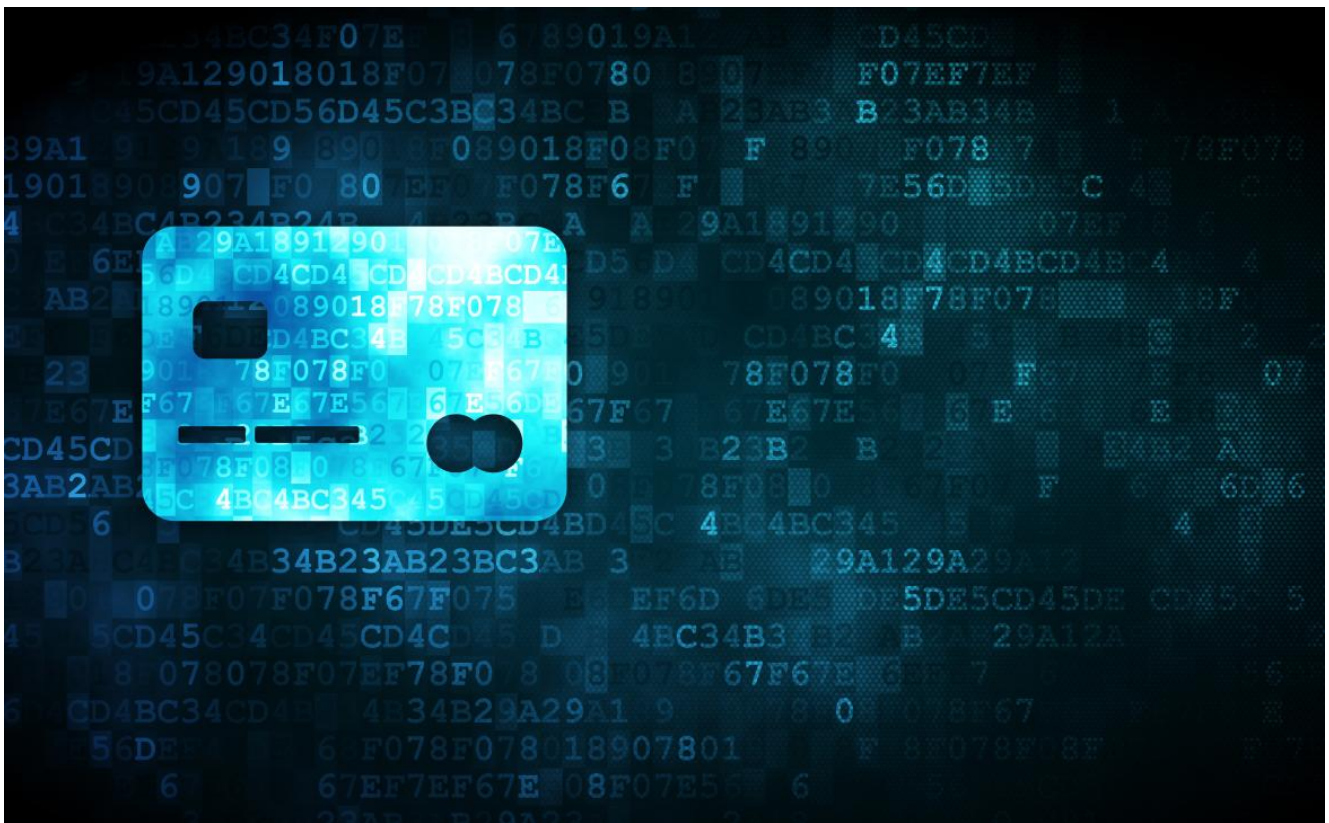


NJORD Estonia: The Digital Debt Affects Us All

Not engaging in digitalisation and postponing it will cause harm. Just as companies need investments in both people and equipment to increase productivity, the state and companies need routine investments in IT solutions. Otherwise, we will all be losers.

Digitalisation has been a conscious process in Estonia. As innovators, we have made miscalculations and mistakes. But making mistakes costs less than not making mistakes. We cannot be content with what has happened, or rather what has not happened in the private sector. If the company's most digitalized department is accounting, and by digitality, we continue to understand the fact that fax and post are replaced by e-mail, and e-signing and authentication are innovations, then we are still 20 years behind, and the question is: what has been done in the meantime?



The process must create new value

Perhaps it may seem that digitalisation is being talked about, as it is a trendy topic, and every head of a company or politician has to keep up with the times. However, the benefits of digitalisation cannot only be that a service or product has been digitised. This process must create new value – whether it is saving human labour, eliminating human errors, accelerating processes or creating an entirely new function that cannot be done in the analogue world.

Failure to make the necessary investments creates two persistent problems. First of all, a loss of higher profitability or even the possibility of making a profit. Secondly, both fixed costs and the costs associated with the necessary investments are at some point constantly increasing or there is need to make the postponed changes at the same time, which means expenditure on both IT infrastructure and people.

Strategic innovations

Little is said about the damage that will occur if we do not engage meaningfully in creating strategic digital innovations. Digitalisation does not always mean the transfer from the paper world to the online world, but also upgrading and replacing digital solutions with better, faster and safer solutions. There has been criticism in Germany on the solutions where a citizen can submit the data to the authority electronically, but the system does not allow the official to perform the necessary operations with that data other than to print the same data and re-enter it into another system. This is a good example to demonstrate that a solution which may have seemed innovative 20 years ago needs to be updated and that the constant postponement of the necessary improvements does not allow the achievement of the goals that the digitization of the process was launched in the first place. On the other hand, development-related prices are at the same time a growing trend everywhere. Thus, the organization suffers double damage – incomplete digitalization does not reduce the concerns for which innovations were created in the first place, and on the other hand, the expense that has become inevitable at some point still has to be made at a higher price.

False signals

In light of the postponed investments, the organization gives false signals to its employees. Existing employees do not get used to innovations, and it is impossible to find new employees open to innovation. A company with a non-existent IT system and without technical and organisational measures can only blame itself in case of a cyber-attack. The same applies if, for example, the sales department and the production are unaware of each other’s capabilities, and late production can only create work for the legal department. In a situation where processes are not consistent, the number of errors is large and in a situation of labour shortages, people are occupied with work, when they could be directed to perform tasks that the machine is not able to do (yet).

The harm that affects us all

Just as production needs investments to increase productivity, the same is true in the digital sphere – if a company is unable to collect orders from its customers or efficiently move information between different departments, or employees are busy typing data instead of performing substantive work as described in the above example, then this generates losses in the form of lost income. These losses are passed on to society, i.e., lower profits mean lower wages, lower dividends and fewer taxes paid to the state. Therefore, digital debt and the resulting loss of income are not just a concern of the company itself but affect us all.

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