

PHENOMENON- BASED PUBLIC ADMINISTRATION

Discussion paper on reforming the government's operating practices

The objective of this discussion paper is to help the national government and ministries to reform their operations in a more strategic, consistent and longer-term direction.

We are primarily proposing functional reforms and, to a limited extent, structural changes, which provide political leaders, ministries and public officials with tools that support them in strategic decision-making and effective implementation.

Particular attention is paid to identifying phenomena that are of importance for the future of Finland and require cross-sectoral policy solutions.

The drafting of this discussion paper was supported by a steering group composed of experts from public administration and other sectors. In addition, we consulted a wide range of Finnish and international stakeholders and analysed global benchmarks in order to propose concrete improvements for organising the way the Finnish Government works.

The strengths of Finnish administration are often characterised as stability and predictability. In the future, the maintenance of these traditional strengths and the development of new ones will require an active, future-oriented approach and a strong collaborative culture, for which this discussion paper offers some elements.

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Discussion paper for the government renovation

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The Finnish Innovation Fund Sitra provides multi-dimensional information about developments affecting societal change. Working papers are part of Sitra's future work conducted by means of forecasting, research, projects, experiments and education.

Strategic, consistent, long-term approach

Over several decades, the Finnish public administration has developed into an internationally recognised institution that fairs well in different international comparisons.

However, over time our administration has become increasingly complicated. The multi-tiered structure of the system and the level of detail within the regulatory framework risk becoming an actual threat to the administrative sector's capacity for renewal.

Many societal problems, such as climate change and increasing social inequality, are complex and interdependent phenomena which should be examined in a more comprehensive and systemic manner than is presently done. The current siloed administration and the level of detail and microscale nature of legislation and budgeting, however, make it significantly harder to apply a cross-administrative, comprehensive approach.

In today's complex and constantly changing operating environment, the decision-making capabilities of government and Parliament and the whole public administration's capacity to implement different reforms in a judicially, economically and socially sustainable manner does indeed need strengthening. The government and the whole state administration play a central role in the preparation and implementation of these reforms.

This discussion paper includes proposals for reforming state administration practices and for the kind of development measures that would provide the government with improved opportunities to operate in a more strategic, consistent and longer-term manner. For ministers, it provides new tools for managing the key phenomena included in the government programme. For senior officials and public servants, it encourages them to adopt a more cross-administrative approach, which could help them to respond to the challenges of more effective preparation and implementation.

Of course, we acknowledge the challenges of political leadership and the fact that solutions to policy-level problems are not created simply by improving the

implementation capacity of the administrative sector. Different government coalitions always require great flexibility from the government and administration, since political realities are very different, depending on whether the sitting government is strong or weak, let alone when there is a minority government. Therefore, we have sought to identify solutions that facilitate both the making of political choices and the selection of the implementation methods and alternatives.

We also consider it necessary to actively develop the readiness of government and administration to engage in dialogue and pursue an operating culture that encourages collaboration. We must generate willingness for problem solving and collaboration. Without that, even the most elaborate administrative solutions will fail to bring any lasting and successful results.

In addition to focusing on the development of government practices, Sitra's earlier discussion paper on reforming democracy – *Kansanvallan peruskorjaus*, published in spring 2018 – highlighted the need to reform our representative democracy and party system. This mission has already been taken up by the political parties and Parliament, for their part. The new discussion paper takes a more in-depth look at the section on the government and state administration included in the *Kansanvallan peruskorjaus* report, providing practical development ideas for strengthening the operation of central government.

We hope that our proposal succeeds in providing political leaders and senior officials with tools for working out a more strategically oriented government programme and for its effective implementation.

We believe that after taking the reform measures proposed by us in this paper, Finland will continue to succeed among the world's most advanced democracies, being stronger than ever.

Mikko Kosonen
President
Sitra

Contents

Objectives	6
Summary of central proposed measures	
1. A more strategic approach to management	8
2. Strengthening political steering in the implementation of Government agenda	9
3. Support to phenomenal implementation	12
4. Beyond siloed decision-making towards a cross-sector and phenomenon-based approach	13
5. Improving the preconditions for information-based management	15

OBJECTIVES

The objective of this discussion paper is to improve the preconditions for democratic leadership and management in central government. Our paper proposes solutions that would strengthen the strategic aspect and effectiveness of decision-making and policy steering in the Government. Furthermore, we propose structural and functional reforms in the central government that would support the implementation and high-quality management of the Government's strategic programme.

From the central government, reforms require readiness for change, enhanced future-orientation, customer-based approach and information-based management (incl. identification of best practices across sectoral, organisational and national boundaries). Deepening of the co-operation culture between senior officials and improved interoperability within the Government are also important parts of the reform.

A strategic government programme and a corresponding management model have already been tested during the current government term. Some cross-administrative reforms of different extent have also been implemented. Furthermore, the Government has been preparing one of the largest reforms in the Finnish government history, the regional government, health and social service reform.

In recent years, several administrative sectors (and various sectors in collaboration) have developed innovative and experimental methods and practices with an aim to reform their operating culture. The experiences lay a good foundation for the development of the Government's strategic management.

A strategic approach and a more concentrated effort, i.e., focusing on the key issues, is essential if and when the Government wants to implement structural and cross-administrative reforms responding to the changes in the operating environment.

At the same time, it must be acknowledged that this kind of strategic management is often in conflict with the Finnish coalition government tradition: traditionally, the Government has wanted to collect all the matters it wants

to promote in the government programme. In this case, the challenge is that the programme easily comes to include matters differing significantly from each other in terms of size, resources and time frame.

Similarly, it is natural that the Government wants to list all its achievements in its annual report to demonstrate their meaning with a view to the overall implementation of the government programme.

However, as conflicting as these requirements may seem, it is possible to implement both of them at the same time. The Government can, and it should name the most important major reform projects (3–5 in all) and create a cross-administrative management model best suited for implementing them.

Most of the smaller objectives of the government programme can well be implemented within the framework of our current efficient administrative model. According to our estimate, the Government's strategic (phenomenon-based) change projects would represent only about ten per cent of the central government resources and budget funding.

In our discussion paper, we especially propose the kind of solutions that strengthen a more uniform and strategic management approach in the Government. At the core of the reform lie the increasingly strategic role of the Prime Minister's Office and management of entities. Management is reinforced by targeting resources based on objectives and needs defined in the government programme, and by consolidating the new, concrete operating models related to this (e.g. the tools of phenomenon-based analysis and the 'situation room' concept, and strengthened communications at the Government level).

Mutual confidence could be enhanced by increasing joint understanding and compiling a shared future vision. In addition to these, tools supporting working together are also needed (such as phenomenon-based simulation, situations rooms, rotation, open committee work and structured crowdsourcing).

Summary of central proposed measures

We also want to make people think about and start a discussion on what kind of structural, functional and cultural changes are required for the central government as a whole – and its sharpest edge, or the Government, in particular – to be able to better respond to the cross-societal challenges brought about by different megatrends (e.g. digitisation, climate change, transformation of work and income, and erosion of representative democracy). Another of the core questions is how public administration could serve people and society even better. This discussion paper has been drafted in co-operation with public administration and especially with actors and interest groups that are engaged in developing the management of central government as part of the work of Sitra's Public Sector Management focus area.

The work has been supported by a steering group chaired by Jouni Backman, Senior Adviser at Sitra. The other members are Olli-Pekka Heinonen (Director General, Finnish National Board of Education), Liisa Hyssälä (Senior Advisor, Sitra), Anna-Kaisa Ikonen (State Secretary, Prime Minister's Office), Kirsi Karlamaa (General Director, Finnish Communications Regulatory Authority), Mikko Kosonen (President, Sitra), Timo Laitinen (Director General, State Treasury), Teemu Malmi (Professor, Aalto University), Timo Reina (Deputy Managing Director, Association of Finnish Local and Regional Authorities), Matti Rihko (Chairman of the Board), Helena Tarkka (Director-General, Ministry of Finance) and Ritva Viljanen (Mayor of Vantaa).

Petri Virtanen, Kaisa Lähteenmäki-Smith and Inga Nyholm have worked in the secretariat of the steering group.

In addition, we have also consulted a wide range of different interest groups, such as youth and employee organisations, with a total of almost 150 people having participated in different events and personal interviews organised by Sitra on this topic during the preparation work. Discussions on the preliminary content of the discussion paper have been conducted with the participants of the course on management renewal (Route for Renewal© or "Uudistuja"), organised by Sitra for the most senior public officials in Finnish ministries and agencies. The operating practice trials conducted in

connection with the course have been used in the processing of proposals.

An international benchmark for the proposed development measures has been provided by leading peer countries, such as Singapore, the Netherlands, Canada and the other Nordic nations.

Even though the discussion paper being published concerns the reform of the Government's work, operating practices and structure, it also opens up new perspectives into the reform of the whole public decision-making and administration system. The needs of more systematic approach and systemic change concern not only the Government, but also Parliament and local and regional governments.

The discussion paper is a continuation of Sitra's report *Kansanvallan peruskorjaus on reforming democracy* (Jouni Backman and Liisa Hyssälä, February 2018), the key message of which was: the structures and operating practices of our more than hundred-year-old representative democracy no longer correspond with the needs of today or the future. The proposed measures provide solutions to such challenges as increasing the inclusion of citizens and direct democracy, as well as strengthening the programme work in political parties. The paper also contains concrete proposals for reforming the structures and operating practices of Parliament and the Government.

The proposals included in this discussion paper strive to strengthen the implementation capacity related to the execution of the Government programme in the Government and the central government operating under it, covering the whole chain of administration from the Government to local governments and, further down, to municipal authorities: the implementation is the decisive factor for whether the objectives of the Government programme can be achieved or not.

According to our estimate, the reforms included in the proposal can be implemented without any major changes in legislation.

We hope that the paper will give food for thought for anyone interested in societal reform and concrete ideas and tools for operators getting prepared for the next government negotiations, the politicians and civil servants alike.

1. A MORE STRATEGIC APPROACH TO MANAGEMENT

A realistic picture of the state of central government finances

We propose that the Ministry of Finance provide Parliament with a realistic shared status report of the state of central government finances, the factors affecting it and the most important factors affecting the structure of society (e.g. mobility of the population, demography, employment rate and competence needs).

A shared future vision

We also propose that, in the autumn preceding parliamentary elections, the Prime Minister's Office compile a shared future vision based on the central phenomena at the time. In this future vision, advantage would be taken of the Government's Report on the Future, the drivers for change cards, the document on the future prepared by permanent secretaries ("Mahdollisuudet Suomelle" report), the futures reviews prepared by the ministries and other foresight material.

Strategic government programme

When the result of the parliamentary election has been established, the government parties should determine, based on the shared status report and future vision, the

main phenomenon-based challenges in the government programme, which they will attempt to solve during the government term. In the same context, both long-term (about 10 years) objectives and objectives for the government term should be set for solving these challenges and the so-called key projects should be defined. In this context, it is important to identify the expertise required by the strategic objectives and key projects and to agree on the required financial resources and organisational framework. The action plan and the general government fiscal plan drawn up based on the strategic objectives also describe the other objectives and measures of central government, which will serve as a basis for preparing the budget in the autumn.

Financing to follow the strategy

The detailed nature of central government's annual budgeting has been identified as one of the obstacles to phenomenon-based management. A budgetary framework and other implementation resources should also in future be defined at the governmental level for each strategic objective of the government programme. It is important to leave enough leeway in the first general fiscal plan of the government term by providing some unearmarked resources.

2. STRENGTHENING POLITICAL STEERING IN THE IMPLEMENTATION OF THE GOVERNMENT AGENDA

A second minister to the Prime Minister's Office

We propose that some of the resources of the Prime Minister's Office be freed up to lead a strategic policy compliant with the government programme by appointing to the Prime Minister's Office a minister responsible for the development of shared operating practices, for the support provided for the key reforms and reform processes, and for governance and human resources policies at the governmental level.

A state secretary for each government party

To secure the government's readiness to make political decisions, in addition to the Prime Minister's state secretary, a state secretary for each government party would be appointed to the Prime Minister's Office. Furthermore, a state secretary would be appointed to each minister as necessary (in accordance with the current practice) and tasked with supporting the minister in the implementation of the government programme. The task of the permanent secretaries would be the

strategic and operative management of the ministries to enable them to optimally support the objectives of each government.

One minister in each ministry

To secure the clarity and consistency of political leadership, as a rule, only one minister would be appointed to each ministry.

Cross-administrative implementation

From the viewpoint of a more uniform operating practice at the governmental level it would be useful not to appoint ministers until the phenomenon- or reform-specific goals and their financial frameworks have been defined together. A responsible minister would be agreed for each phenomenon-based strategic objective or reform as well as a group of ministers that would include those whose budget and competence resources would be required in the implementation of the specific objective or reform.

A MORE PHENOMENON-BASED APPROACH TO ADMINISTRATION

CURRENT SITUATION

A SOCIETAL PHENOMENON

Social exclusion of young people is an example of a phenomenon with complex cause-and-effect relationships. Broad-ranging expertise and a well-structured understanding of the overall situation is required to solve such problems.



12 MINISTRIES

The ministries work separately to solve problems, each from their own perspective.



PHENOMENON-BASED ADMINISTRATION



SITUATION ROOM

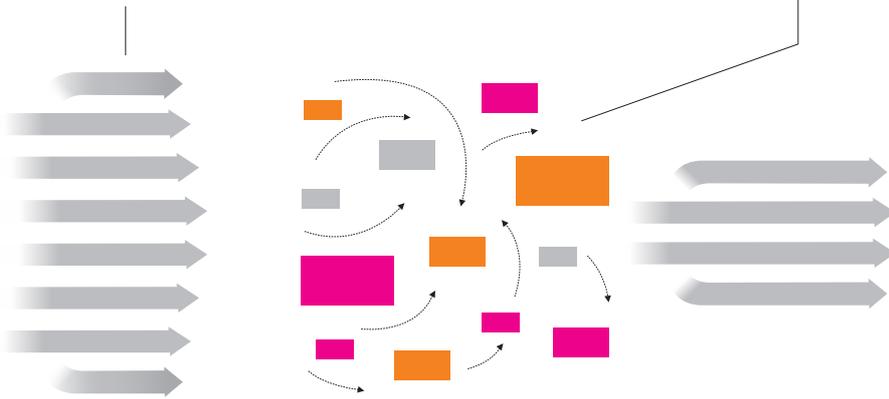
Work is centralised to situation rooms into which the best experts from the different ministries are gathered.

To enable effective targeting of the money in terms of administration as a whole, the financial resources required for the work are budgeted to the situation rooms.

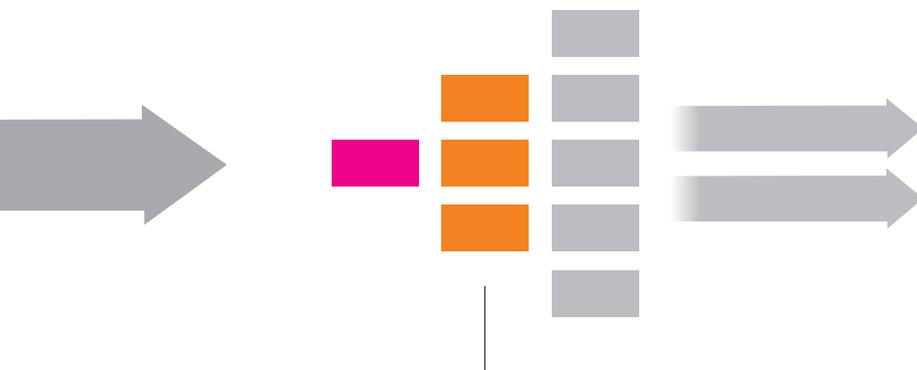
Summary of central proposed measures

The money is divided between a large number of small projects. The euros do not sufficiently follow cross-administrative objectives and needs.

The impact of many separate projects on the overall situation remains unclear.



The results should be evaluated in terms of effectiveness and compared with the set targets.



The money is distributed to larger entities according to an order of priorities and enough leeway is left to cross-administrative needs.



3. SUPPORT FOR PHENOMENON-BASED IMPLEMENTATION

Establishment of a situation room for each strategic objective/reform

The effective implementation of each cross-administrative strategic objective/reform requires the establishment of joint working platforms, which we have proposed in the form of 'situation rooms' to support the group of ministers concerned.

Meeting of permanent secretaries in a co-ordinating role

The permanent secretaries in charge of the situation rooms would report on the progress of the government programme directly to the strategy session and to the secretariat for the government's strategy work and would bring the views expressed in the strategy session to the meeting of permanent secretaries to be discussed together. The strategic effectiveness of the government's activities and the government's strategy could then be reconciled even better.

Establishment of a department for the development of public administration in connection with the Prime Minister's Office

A central role in the rules of procedure of the new department would be played by the measures that support the management of public policy at the governmental level, the innovation activities in public administration, the management competence of the most senior public officials and the support provided for their recruitment, the government's centralised human resources management, quality policy, support for the project management of reforms, competence management, experimental activities, change management and service design related to digitisation, and the government's research funding.

More consistent communication at government level

To enhance the effectiveness of communication, the communication process at the governmental level would be harmonised and the status of the communication managers' network would be established. A concrete measure would be to integrate the communication strategy and the action plan into the preparation of the government programme. Giving a clearer mandate to the communication managers' meeting and increasing the rotation of personnel between the communications units would harmonise the operating culture.

Communication to support change projects

Co-operation between the new development department proposed to be established in conjunction with the Prime Minister's Office and the government's communication managers would help the government communicate in a more anticipatory and flexible manner. In terms of the content, this would primarily mean communication about important reform projects.

Strengthening the capacity to invest

The role of investment thinking, i.e. the government's capability to prepare and evaluate reforms that require investment and allocate funding to them in a longer term, would be strengthened in the preparation of the general government fiscal plan. A reform investment committee led by the minister in charge of reconciliation of reform and renewal policies and the Minister of Finance would improve investment expertise and long-term investment thinking.

4. BEYOND SILOED DECISION-MAKING TOWARDS A CROSS-SECTORAL AND PHENOMENON-BASED APPROACH

Part of the preparation and implementation of the central government budget should be phenomenon-based

The budget would be partly drawn up in a phenomenon-based manner.

Situation rooms to serve as platforms for reform work

The main objectives regarding reforms and changes in the strategic government programme would be organised into shared working spaces and platforms for organising reform work ('situation rooms'), comprising the best competence resources from different ministries. The monetary resources and the tools required to achieve the objectives of the government programme would be made available to them.

Mobility of competence resources

The mobility of the government's competence resources would be increased in accordance with section 20a of the Public Servants Act so that a public official could work on tasks falling under the competence of another agency for a fixed period of time. Similarly, public officials would be able to work for more than one ministry at the same time.

Reform of performance guidance

Instead of the results of individual agencies, the impacts resulting from co-operation between several agencies would be examined.

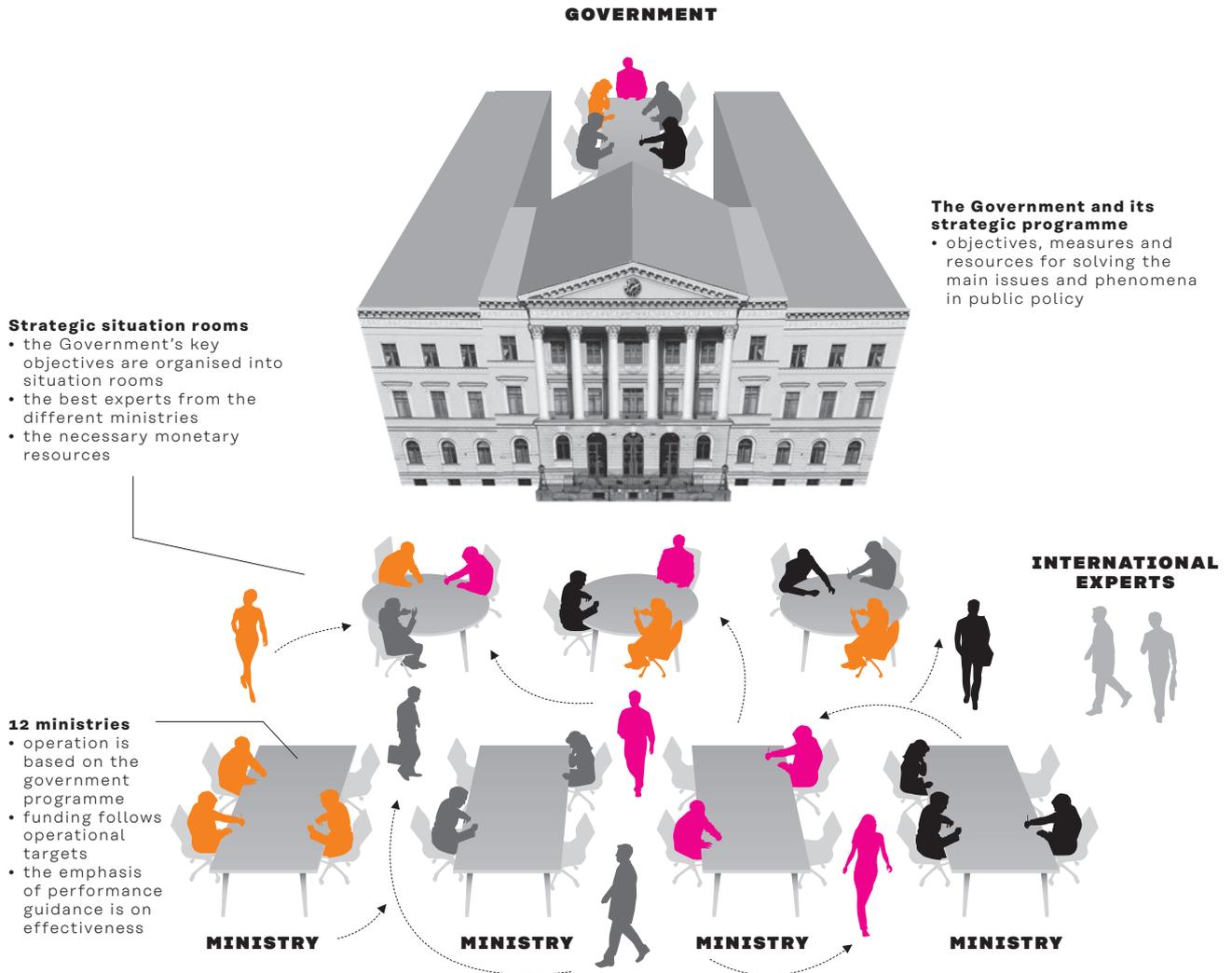
Redefinition of the roles of the Prime Minister's Office and the Ministry of Finance

The Prime Minister's Office would be responsible for the political steering of the government programme and the support provided for its implementation and for the government's governance and human resources policies. The Ministry of Finance, on the other hand, would be responsible for tasks related to fiscal policy. Both would play a key role in the organisation of phenomenon-based work. Operational support functions could be moved to a service centre, away from the Prime Minister's Office. In addition to fiscal policy, the Ministry of Finance would be responsible for the steering of state-owned companies in so far as investor interests alone are concerned.

More diverse information to be made available to reform projects

With reforms, information support is required, particularly for impact assessment, for structured crowdsourcing and for dialogue with citizens. With central reform projects, it is important to secure both a diverse and high-quality systematic impact assessment that gathers together views from experts and a dialogue with citizens that is open to people's experiences and views. Together, these would constitute structured crowdsourcing.

A MORE PHENOMENON-BASED APPROACH TO THE ORGANISATION OF ADMINISTRATION



5. IMPROVING THE PRECONDITIONS FOR INFORMATION-BASED MANAGEMENT

Open committee

Within government, the drafting and reforming of laws and regulations would be supported by a body consisting of the core group for drafting and the required expert groups (e.g. implementers, researchers, international experts and central interest groups, such as businesses and organisations). The group would assess the drafting systematically and continuously during the process.

A more versatile toolkit

In addition to impact assessment and the Government's Analysis, Assessment and Research Activities ("VN TEAS"), the toolkit would include phenomenon-based situation information, analytics, artificial intelligence and trials. The drafting of statutes by the ministries could be further improved with participatory methods and an ex ante assessment of legislation and reforms. The development department would include a team that would strengthen the drafting and assessment of legislation and related expertise.

Evaluation of legislation

The high-quality evaluation of legislation requires a Council of Regulative Impact Analysis with stronger resources, a more realistically planned process timetable and more expertise in the ministries. To safeguard the independence of the council, the possibility of moving the council to the Office of the Chancellor of Justice would be investigated.

Making the capabilities of the Ministry of Justice available to the entire government

To safeguard commitment to the rule of law and the preconditions for an enabling and high-quality legislation, the role of the Ministry of Justice and its capability to support the government's strategy would be strengthened. It would be important to make the expertise of the Ministry of Justice available to the new development department and to projects working on reforms and drafting of legislation (situation rooms).

Project management in reforms

The operating preconditions and competences of the most senior government officials should be revised by applying the best international practices. To secure implementation and effectiveness, the most senior public officials would include two or three people with the authority of a permanent secretary and who would be available to lead the government's most strategic projects.

More uniform recruitment practices

The harmonisation of recruitment practices for the posts of senior public officials would include a shared understanding of career development, investment in leadership training and increasing the mobility of senior public officials (including systematic rotation both in ministries and in the senior management of agencies).

Increasing the mobility and rotation of senior management

The senior management's understanding of the different administrative sectors would be further strengthened if a rotation model based on the Dutch (or Singaporean) example were introduced. In this model, the period of working as a senior public official (as a permanent secretary) in ministries is restricted (for example, to five years, with the term only being extended once) and the post requires leadership experience from several ministries.

Leadership training

Systematic leadership training of the most senior public officials would be made an integral part of career thinking among senior public officials in the government and organised in a centralised manner as a government-level activity.

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