

# Mission Possible

Agility and Effectiveness in State Governance

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## Foreword

State governance continues to be a highly relevant topic due to significant changes in societies and economies all over the world. Emerging issues have challenged traditional structures and operating models based on institutional hierarchies. Horizontal and network-based arrangements have been established as complementary mechanisms to a linear governance model.

In 2009 the Finnish Government asked the OECD to undertake a Public Governance Review (OECD, 2010) to assess 1) its ability to deliver government objectives and 2) its preparedness to meet current and future challenges. One particular theme in the review was horizontality within the state administration. Although the Finnish public sector has achieved positive results in several areas, some critical remarks were made by the Review related to lacking operational ground in the government's whole-of-government vision, lack of collective commitment and incentives in performance management, the disconnect between budget and policy objectives and the silo-based leadership at the Centre of Government and at the political/administrative interface. These remarks were emphasized as critical to future success.

As a response to the OECD findings the Finnish Innovation Fund Sitra and its Public Leadership and Management Program commissioned Talent Partners Group to draft a paper on the idea for a future governance model for the new Finnish Government to be appointed after the national election in May 2011. The 'idea paper' (in Finnish) was published in December 2010 with positive responses both from political actors and top civil servants. Because the topic is highly relevant in several other countries we asked Talent Partners Group to draft a paper on future state governance in order to also contribute to the international discussion. This paper includes several ideas from the previous report, but it also provides some new ones. The work done by several other countries has also been taken into account.

It is obvious that governments are challenged to innovate and to re-design both the contents of their policies and the governance models for delivering policies. This is not aimed mainly at better cost-efficiency in public policies and services but to achieve better effectiveness in service and policy delivery.

On behalf of Sitra, we would like to sincerely thank the author of this paper, Dr. Seppo Määttä, for his excellent contribution. We believe that this paper provides useful ideas and insights for further discussion and development on agile and effective state governance.

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# 1 Introduction

People experience various kinds of changes in their everyday life. Some changes are due to decisions and actions taken by government or companies providing only some or no direct power for people to influence. For instance downturns in the economy have several impacts in the form of lost jobs and increased unemployment as well as a decreased level of services due to cost cuts in public services and social benefits. Climate change becomes more and more worrying as concrete and severe weather effects seem to occur at a concernedly increasing rate. Families worry about their children's well-being and growth in changing surroundings. When democracy does not work or it does not even exist, changes are initiated and processed by the people themselves, as in the current revolts in North Africa and the Middle East.

More and more people as well as governments are puzzled over the future to come. This is not only due to increased uncertainty, which could be handled by analyzing the situation, gathering more information, defining options and choosing the best forward route. The horizon is misty because of significantly increased *ambiguity*: we are not able to understand the meaning of what is going on and how to respond. Our traditional and present contexts do not provide us much help in explaining these emerging events. Because there are numerous competing and conflicting interpretations of the present and the future in particular, we stick to our rational analyses in our present contexts (institutions, divisions of labor, cultures, worldviews and mindsets, governance systems, operational models, and so on). It may seem that we keep on doing more of the same hoping to find solutions. However, at the same time our societies and we as the members of them are facing new kinds of unfamiliar phenomena that do not align with our well-defined structures.

Various types of structural changes are producing more and more ill-defined policy issues both regarding the formation of a "corporate state" strategy and the modes for strategy delivery. Politicians and civil servants are challenged by events and situations with which they are not particularly familiar. Governments' capacity to tackle emerging and not always well-defined policy issues is being questioned; basic beliefs are being thoroughly challenged; and new paradigms for both policy formation and policy delivery are being called for. Traditional recipes no longer suffice. Something new needs to be invented.

The core of any government's strategy is addressing "what should be accomplished in our society and economy". The question of "how to manage and to lead the delivery of these accomplishments" is the driver for creating and applying a proper governance model. We have an urgent need to innovate or at least to reinvent a governance model that is dynamic enough to deliver positive and sustainable effects in our societies in times of uncertainty and ambiguity. This paper describes a systemic governance model based on agility and effectiveness in state governance.

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## 2 Making the Case: Why Agile and Effective State Governance

### The Challenges of Structural Changes and Ill-defined Policy Issues

“Structural change” has become a widely used phrase and a general policy measure for defining and implementing major transformations in economic systems. Structural reforms are called for to improve an economy’s capacity to tackle increasing international competition and to sustain a solid basis for public finances. In a reformation process, some components of economic systems are reformed, replaced or partially substituted. The sense of urgency for structural changes has become more and more concrete due to the global financial crisis and worsening public finances. The arguments for urging structural reforms can be traced to several key challenges: demographic change, employment, productivity, learning, sustainable development and governance.

The *demographic challenge* is a widely acknowledged issue, but societal structures have not yet been adjusted accordingly. This challenge is not the same for every country. Many developing countries are suffering children and youth mortality. Europe is ageing and the working-age population decreasing. By 2020, 25%, or about 125 million people of the EU’s population, will be over 65. This means the EU will go from having four people of working age for every person aged over 65 to a ratio of only two to one. This will certainly challenge the sustainability of our welfare systems as well as the aims to increase the overall employment rates.

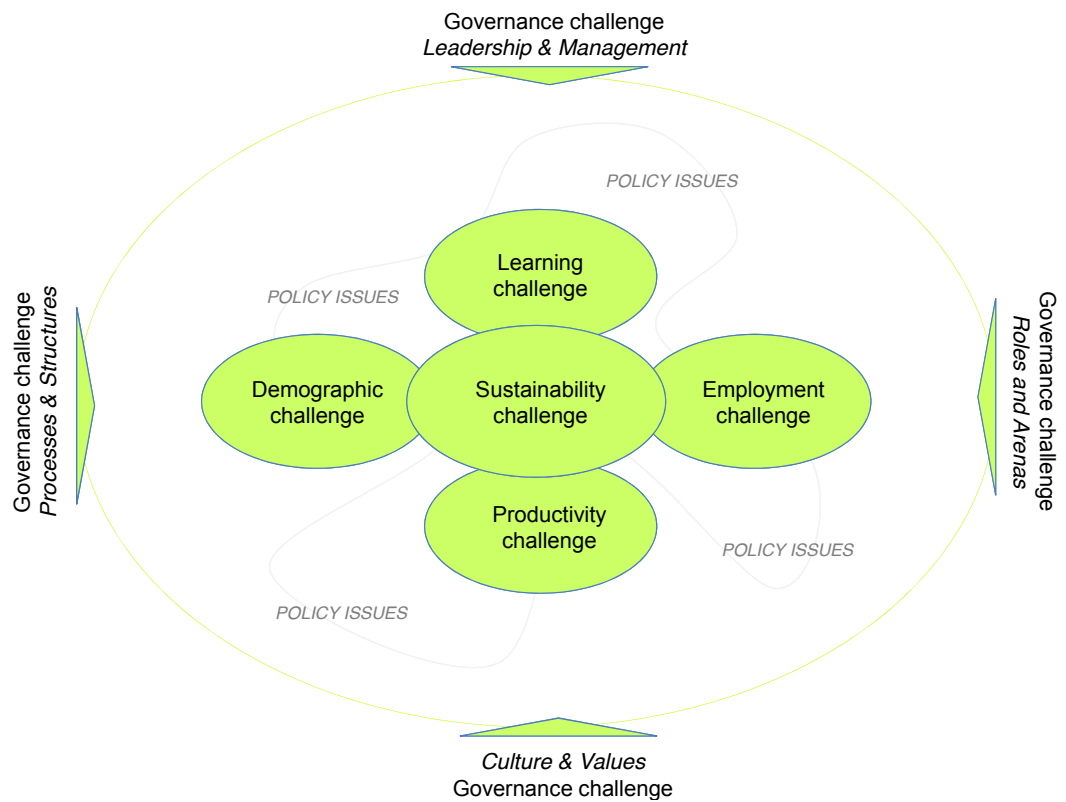
The *employment challenge* covers both employment and unemployment. Large-scale youth unemployment all over the world is causing significant threats and negative social and economic effects. In 2010, the employment of workers aged 20 to 64 within the member states of the European Union stood at 208.4 million people, corresponding to an employment rate of 68.8%. The unemployment rate in 2010 remains high at 9.6%. This means that over 23 million persons in the EU-25 live without work, 5.2 million of them being young people. A better employment situation calls for earlier entry into and later exit from the labor market. Hence there is an evident need for people to stay longer in working life.

Open economies and ever-faster technology development raise the importance of *the learning challenge*, which is a life-long journey. More investments in learning and human capital are required both at the institutional and individual levels. This challenge includes both structural and mental dimensions. The former refers to existing institutional arrangements for providing opportunities for learning. The latter refers to attitudes to and opportunities for education and training among individuals.

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The recipe for an economy’s success is complicated, but at least three things in particular are important: how many people are working (employment), how skilled and innovative they are (knowledge) and how productive they are (productivity). Michael Porter (1990) has argued that the only meaningful concept of competitiveness at the national level is productivity: any nation’s living standards depend on the capacity of its institutions to continually upgrade themselves. The *productivity challenge* urges companies and public administrations to do more, and do so in a better, smarter and different manner.

By putting the above-mentioned challenges together, a bigger picture emerges in which each of the interrelated parts should make a contribution to the whole. The *sustainability challenge* forms the overall mission for future prosperity and well-being. It combines the dimensions of economic growth, social cohesion and sustainable environment. The challenge for sustainable development is defined with respect to the future, because it urges “...a development that satisfies the present needs without compromising the ability of future generations to meet their needs” (World Commission for Environment and Development, 1987).



**Figure 1.** Challenges to agile and effective state governance (adapted from Määttä, 2006).

The systemic effects of these challenges described above cannot be understood independently but only in interaction with each other. However, multiple issues affecting economies and societies have become more and more difficult to identify, analyze and to solve. These *ill-defined policy issues* (or “wicked problems”) such as climate change, security, family breakdown, child development and social exclusion are difficult if not impossible to solve by any single actor (ministry, department or agency) because of their multidimensional nature. Moreover, incomplete, contradictory, and changing requirements of emerging and re-emerging policy issues make it challenging for any government to respond in an efficient and effective way. Not much support can be provided by traditional cause-effect analyses or rational planning processes conducted by vertically organized institutions.

Governments play a key role in responding to these challenges and addressing emerging policy issues in our societies. The *governance challenge* mainly concerns combining people, processes and structures, roles and arenas in enabling innovative, cost-efficient and effective policy delivery. The critical lever for any governance is trust. Trust forms the basis for empowered and self-steering governance whereas mistrust leads to a vicious circle of more mistrust and more control-based governance.

All these challenges described here include several ill-defined policy issues that should be understood and responded to in a broader, dynamic context. Moreover, they should be handled by a new type of governance model based on a systemic view, agile structures and processes aiming to solve the issues instead of only administer and control them.

*The interconnected nature and complexity of many of the issues confronting government require public servants who are able to communicate effectively across departmental and governmental boundaries and marshal the expertise of public, private and community sectors. Increasingly, central government public servants are required to demonstrate a broad level of skills: networking and collaborative skills, strategy, commissioning and contract design, negotiation and consultation skills, project management and change management. (KPMG, 2010)*

The moment of truth is not when something is decided but when something is implemented. We need to address the question of a government’s management and leadership capacity to tackle these challenges and ill-defined policy issues in order to turn them into deliverable strategies and actions resulting in positive effects. In order to make this happen the following shortcomings need to be readjusted, some of them even radically so.

## Major Shortcomings in Our Present Governance Models

Governmental structures and processes have evolved over a long period of time. Each country has its own governance tradition. In 2009 the Finnish Government commissioned the OECD to examine its ability to respond to horizontal challenges at the state level and across levels of government. Although the OECD Review (2010) and the key findings are based on the Finnish State Governance, the report makes a valuable contribution to the broader discussion on future state governance.

The OECD (2010) argued that Finland has lost some of its strategic agility, i.e., the government's ability to anticipate and respond to increasingly complex policy challenges. Sweden has identified similar challenges in its disability to manage whole-of-government policies and activities: governance is assessed to be fragmented and lacking effective co-operation among departments (Regeringskansliet, 2007). Similar findings have been reported by e.g. Canada, Australia, Denmark and the UK, countries that have placed much emphasis on crossing boundaries in order to create a horizontal dimension to governmental policymaking (Cabinet Office, UK, 2000; Victoria State Authority, Australia 2001, 2007, 2008; Canada 1996, 2010; Denmark 2010).

Traditional politico-administrative arrangements are set to present cultural and institutional barriers to scanning and sensing weak signals, responding to changes and to shaping future environments. The faster contextual changes occur and emerging and ill-defined issues arise, the more handicapped our present governance models will be. The following examples of major shortcomings in our governance models highlight the need to reinvent a systemic governance model equipped both to explore and to exploit.

### • *Consensus-based Rigidities*

In some countries the governance framework is adapted to the context of a coalition government model. This is the case in Finland, for instance, where decisions are made based on political consensus obtained through compensatory negotiations. The coalition government model has certainly proved its strengths in the light of economic growth, high-quality research and innovation capacity, excellence in the education system, and so on. This has occurred in a stable economic environment and identifiable and well-defined policy environment.

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However, we are witnessing a time of ever-faster changes and not easily identifiable policy issues that are difficult to handle with our vertically mandated power structures. Moreover, our consensus-driven system and politico-administrative culture is equipped more for *exploitation* (processing and delivering already known, agreed and well-defined issues) within the comfort zone. This approach does not fit well in the stormy waters of economic or social development where there is an urgent need for *exploration* (processing as yet unknown, disagreeable and ill-defined issues) outside the comfort zone. Consensus is not always the best lever for taking risks, deciding on priorities and choosing the needed actions both for exploitation and exploration. Consensus-based rigidities can create serious risks for any government if the main aim of the applied governance model is to save the past and maintain the present while several burning platforms exhort a radical change of course. Taking consensus both as a starting point and as a result entails many risks compared to relying purely on a single-voice approach. At the same time, there are significant benefits to a process based on a multi-voice approach with differing opinions and insights leading to a consensus decision.

- *"Departmentalism" by Silo-based Ministries*

The structure of many state governments has been characterized by strong and independent sectoral departments/ministries. The division of labor has been based on vertically-organized ministerial portfolios and administrative domains. This has led to "departmentalism" and to collective agreement where "everyone minds his own business without interfering in the areas of others". This is further supported by a performance management model based on vertical goals and indicators. Joined-up goals or incentives for horizontal performance are not included in management models. Ministers in government see this as a major problem: not having enough time or power to create phenomenon-based policies and actions as genuine responses to the issues in the real-life context. Whether socialists or non-socialists, many political leaders have identified the current situation as problematic: a situation where they are losing control, influence and information but are still being held accountable. However, ministers are part of this "departmentalism" if they maintain the strong and traditional sector-based culture and the political competition within the ministerial portfolios or between governmental parties in coalition governments.

*Departmental successes achieved at the expense of government-wide results do not demonstrate performance or quality. Agencies and departments must weigh the value of their own results against the achievement of system-wide and, perhaps more importantly, societal results. (Bourgon, 2009)*

The "silo" perspective of individual ministries hinders the problem-solving capability of government. Many important policy issues do not fit into departmental slots. A vertical organization has no incentive to prevent problems where the benefits of preventive actions are accrued by another department. Hence any policy issues of a cross-boundary nature are ignored – or they are handled from a 'one-eye' perspective leading to one solution for one department and often to a problem for another department. The effects and the "challenges" of silo-based policies are first faced by the implementing agencies and secondly, also more seriously, by citizens, companies and communities.

- *Lack of Corporate Leadership and Management*

Governments are challenged to express and communicate their future foresight. This is probably even more urgent today, given the various crises of recent times. Unfortunately many governments lack vision or create visions that are too overwhelming, fragmented or short-sighted. There is a noticeable gap of inspiration between today and tomorrow. Playing it safe is more common than taking a clear stand as well as some risks. This becomes the case if the vision does not capture something truly relevant and genuine about the future that can be built upon. Too often foresight processes lack focus on outcomes, even though outcomes relate to the actual change in people's lives: outcomes reflect the impact governments intend to make on the lives of people.

Without an inspiring "story of the future" it is difficult to connect oneself to the government's vision as a politician, civil servant or a citizen. There is an obvious risk that the foresight objectives will not be realized at any level. This is not only due to the visions themselves but the broader challenge of government's capacity to lead and manage. One of the major barriers to visions becoming realized in everyday life is a substantial mismatch between strategic intentions, budget allocation and performance management systems. This is one of the weakest spots in governmental leadership and management capacity.

*The disconnect between strategic and budget frameworks limits the ability to prioritise and redeploy resources as needed. (OECD, 2010)*

Differentiated frameworks and processes for government strategy and budget together with silo-based ministries severely restrict opportunities to prioritize and re-allocate resources from the whole-of-government perspective. The state performance management system is not connected or explicitly aligned with the government strategy. At the organizational level, there seem to be no consequences for failure to meet strategic objectives. These shortcomings appear to stem from four main factors: 1) lack of a clear, strategic whole-of-society vision communicated by government; 2) difficulty to develop indicators that clearly link back to strategic whole-of-society objectives; 3) insufficient prioritization of overall objectives; and 4) lack of genuine accountability, in particular for shared strategic objectives (OECD, 2010).

## State Governance: What Are We Aiming For?

Governance is seldom clear cut. It is a multidimensional and overlapping system with many arenas, actors and mechanisms. The dynamics of any governance system relies on a delicate balance between order and chaos, between imposed and autonomous behavior and between centrally imposed and locally emerging actions.

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State governance refers to the role and tasks of governments in legislating, policymaking, service provision and managing public organizations. The respective actors in central, regional and local-level administrations are responsible for developing processes, structures and mechanisms for effective strategy delivery. Particular emphasis should be placed on modes of vertical and horizontal interaction between actors. Our focus here is the state administration, and policy formation and solution delivery from the government's point of view.

There is widespread recognition that public administrations are operating in more complex environments in which policy challenges require more flexible, innovative, integrated and networked approaches. The United Nation's World Public Sector Report describes the next emerging paradigm as *responsive government* (United Nations, 2005). This is a form of public administration that emphasizes networks, greater openness and partnership. The UN's call for responsive government is an inspiring opening for our eager endeavor towards agile and effective governance. The main ingredients in this approach include the following:

- *the shift from outputs to outcomes* to emphasize the importance of positive effects to be accomplished delivered by policies, funding, regulations and services;
- *a whole-of-government big picture and values* that recognize the increasing need to work across traditional boundaries to deliver certain effects and the importance of embedding shared values across the public administration;
- *a citizen-driven philosophy* to enable citizens' access to government, improve consultation and provide a citizen-driven approach to policy-making, legislation and service provision; and
- *an innovation and risk-taking spirit* in innovative policy solutions to tackle complex and multidimensional policy issues.

A focus on outcomes is a critical component of governance because it challenges governments and their departments to focus on the complex and cross-portfolio challenges facing society that can only be addressed through joined-up approaches. This does not mean that every area or policy issue of government activity will demand a joined-up approach. Policies, regulations, programs or services that are well suited to traditional structures will continue to operate under vertical lines of formation, delivery and accountability. Nevertheless, ministries, departments and agencies are increasingly motivated to join up to deliver outcomes and address cross-cutting issues that could not be achieved by a single actor alone.

Our preliminary concept is to have a governance system that enables the prime minister and his/her cabinet to accomplish the intended political goals with positive and sustainable effects. Before jumping into the governance system, however, we need to examine the contents of the government's strategy to be delivered.

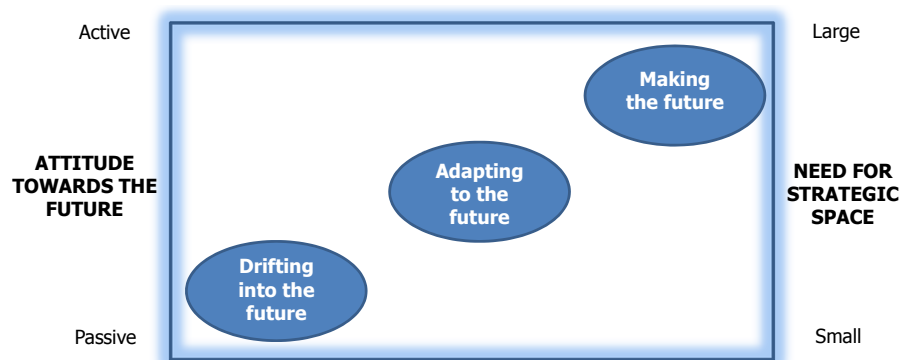
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## 3 Strategic Agenda to be Delivered

### Governmental Foresight: Market Taker or Market Maker?

Reactive responses are actions for short-term needs and pressures whereas proactive responses are actions for future foresight. In order to be able to shape the forthcoming opportunity windows, the government must employ credible and insightful foresight. Every government has a challenging task to decide whether to apply either a “market maker” or “market taker” approach.

A government as a market maker proactively intends to shape future opportunities and create new strategic options. As a market taker a government adapts a more “wait and see” position, being prepared to adapt for different scenarios.

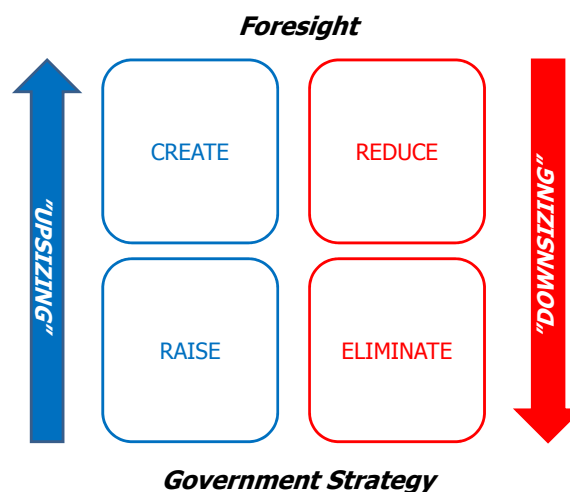


**Figure 2.** Different views on the future (Määttä & Ojala, 1999).

When applying the approach as a market maker, a government needs to create a strategic space in which to reinvent and innovate. Governments must be capable enough to think and act differently. Doing more of the same is mainly a “market-taker” position based on a passive attitude and reactive mode of thinking and acting. When intending to make the future, governments are challenged to use foresight that is based on a “two-way street” approach: upsizing and downsizing.

*Upsizing* challenges governments to identify opportunities for creating a yet unknown policy space needed in innovating new solutions to ill-defined issues. This can also include development and adoption of new competences, operating models and mental models. Upsizing also concerns raising the level of the present ability to innovate and deliver. In a severe economic situation upsizing also involves setting clear upsized priorities on resource allocations and investments based on strategic choices.

To ensure the space for successful upsizing clear decisions and actions are needed regarding both reductions and eliminations. *Downsizing* urges governments to identify policies, services and structures that do not provide any value for customers and stakeholders but which in the worst case have negative effects on people's lives.



**Figure 3.** Strategic choices: upsizing and/or downsizing.

Traditionally governments are more at ease with an upsizing strategy than with downsizing. However, those governments that can afford running only expansive policies are very rare nowadays and in the future as well. In order to have space for developing societies both upsizing and downsizing are needed: when deciding to downsize hierarchies, one needs to upsize autonomy. This concerns not only adjusting structural or financial capacities, but also, and sometimes foremost, mental capacities: to be able to learn new things some old things should be un-learned.

The relation between upsizing and downsizing depends on the government’s foresight: to which direction we want to develop our societies and economies. Due to the global economic crisis the present mainstream of foresight thinking is strongly connected to economic growth and solid public finances. It is rather obvious that this position will hold for several years to come. Nevertheless, citizens and stakeholders are expecting an inspiring future vision that should also include something other than economic growth or solid public finances. Finding examples of visions or use of foresight as communicated by governments for the society as a whole was not an easy task, however. It was easier to find issue-based vision statements about e.g. sustainable development, ICT and e-Government and innovations. Every government produces plenty of policy statements and strategy documents, but it is less usual to find a government program in which the future vision is drafted in a way that is both focused (not an “anything goes” vision) and understandable (not a “on the one hand and then on the other hand” vision).

Both upsizing and downsizing very much pertain to deciding on priorities. However, setting priorities does not always mean cutting costs. It can also mean re-allocations of resources from some activities, services and policies to others in order to be able to deliver results and true effects.

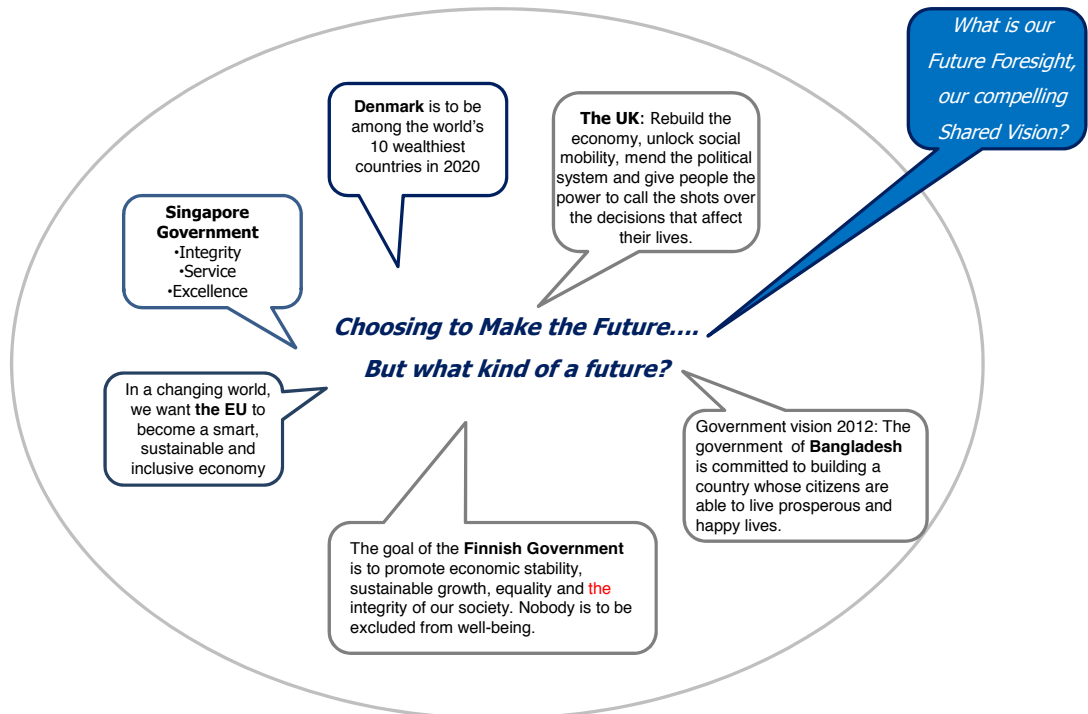


Figure 4. Exploring governments’ future visions.

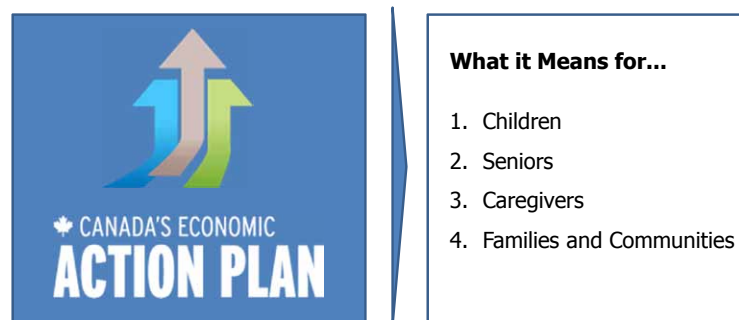
In times of uncertainty and ambiguity there is an even more urgent need for foresight that provides positive perspectives regarding how or what people live, study, work and most importantly believe.

## Government Program as the State's Corporate Strategy

Every government establishes its program on the political objectives, actions and measures intended to be implemented when coming into power. As such the program forms a kind of 'corporate strategy' for the state that outlines the direction for the government's decisions and actions. At best a government program includes clear and well-argued priorities and objectives in different policy areas. However, it is worth noting that the government is in the "business of politics" together with Parliament and other societal institutions. Hence not all the priorities and objectives are straightforward or clear-cut only to be rationally implemented. Nonetheless, the government program should communicate

- a shared *perspective* on the government's vision and priorities in facing the future;
- an intended *position* for the country, e.g. in the global economy;
- a *political plan or roadmap* for the decisions and policies to be drafted and implemented;
- clear and transparent objectives and guidelines for policies and services *that are set as high priority* and for policies, activities and services *that are set as low priority*.

One of the aims – if not the major aim – for a government strategy is to identify and to present the intended outcomes and effects to be achieved. Moreover, it may be even more "customer-oriented" to indicate how the intended objectives and measures will affect different stakeholders in society, such as children, families, and the elderly. The economic strategy by the Canadian government, for instance, makes a good effort to specify the intended effects on different stakeholders.



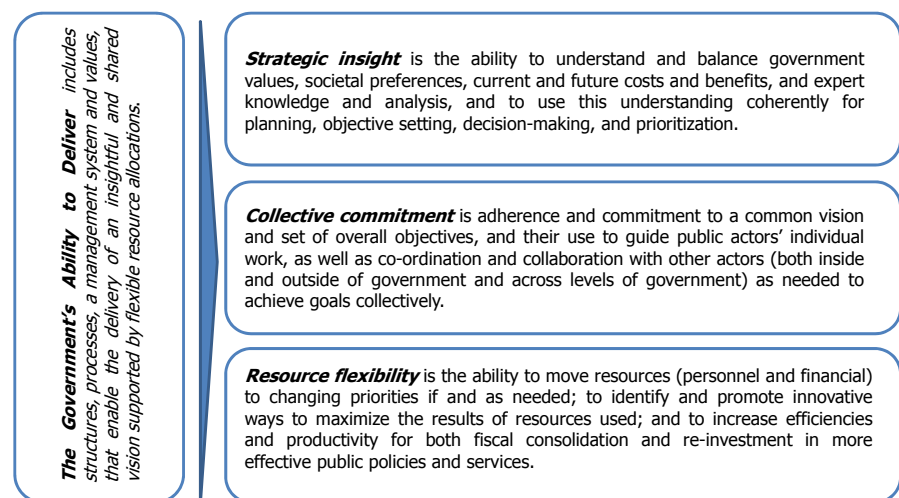
**Figure 5.** Government strategy – what and to whom: case Canada (See: <http://www.canada.gc.ca/home.html> ).

In this context the main point is to emphasize the primary role of the content-based government program. As the state's corporate strategy the government's program summarizes the intended societal results and outcomes to be achieved by the government. It is not relevant enough to look only at the governance system as such without keeping the policy context and content on board. The first step is to have a government program that specifies the content-based objectives to be achieved. In this context it is then highly relevant to ask how to create and to apply a governance system that is able to deliver the government program and the intended results in a cost-effective way.

## Wanted: Systems-Based Governance for Effective Policy Delivery

*The need for governance exists anytime a group of people come together to accomplish an end. By the early 2000s, economic and social leaders had begun to recognize a causal link between governance and advances in national and international well-being. (The Institute on Governance, Canada)*

Strategic agility is the ability of the government to anticipate and flexibly respond to increasingly complex policy issues and to determine at what level action is needed. Strategic agility requires frameworks to enable fast and quality decisions, and to ensure their efficient and effective implementation in order to generate public value. The dynamics of strategic agility is based on three mechanisms: *strategic insight*, *collective commitment* and *resource flexibility* (Doz and Kosonen, 2008). Particular emphasis is placed on the government's ability to deliver outcomes.



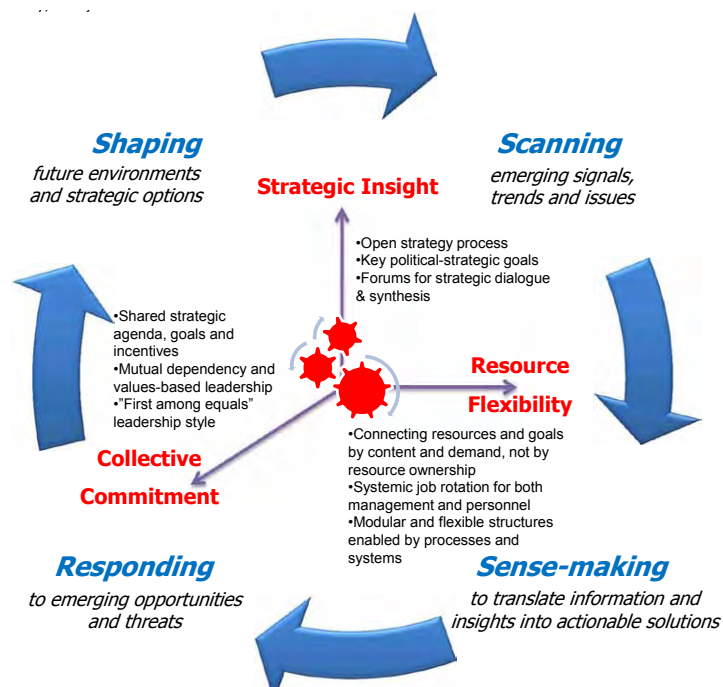
**Figure 6.** Ability to deliver: key levers of strategic agility (adapted from OECD 2010; Doz and Kosonen, 2008).



There is a growing need for an agile governance model that enables a government to scan, sense-make, respond to horizontal and vertical challenges, and shape future environments. These are enabling processes providing a dynamic platform for an agile governance to flourish.

*Scanning* is the process of gathering and analyzing useful, timely, actionable information. *Sense-making* is the process of interpreting relevant information as the basis for decision-making. It turns data into a narrative that supports practical understanding of the issue or problem so that solutions can be generated. Politicians and senior civil servants determine the issues requiring action by considering multiple and often competing demands on resources.

*Responding* is about setting priorities and allocating best available resources across the government in order to be able to deliver. Once governments have analyzed the information and made sense of a new challenge or opportunity, they need dynamic ways to produce a response at two levels. The first is strategic, where politicians and senior civil servants create policy responses and allocate resources to new priorities. The second is at the operational level, where frontline workers respond to the day-to-day changing needs of the customers they serve and the stakeholders they co-operate with. *Shaping* moves governments beyond the reactive mode to proactively responding to emerging issues, stakeholders' signals and citizens' needs. Shaping is about influencing the future to come.



**Figure 7.** Key levers and processes for an agile government (adapted from Doz & Kosonen, 2008 and Victoria State Services Authority, 2008).

We will make an effort in the following pages to draft a systems-based model on state governance. The idea is to outline a state governance model based on three interconnected systems: a culture system, an interaction system and a management system. Strategic insight, collective commitment and resource flexibility are the key levers to be included in all systems as well as the processes for scanning, sense-making, responding and shaping. Our strong assumption is that a systems-based state governance model would be agile and effective enough to make a difference in coping both with intended and defined policy issues as well as with emerging and ill-defined policy issues.

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## 4 Systemic Model for State Governance

Based on a systemic view of culture, interaction and management we are aiming for a systems-based state governance model capable to act as *an agile lever for the prime minister and his/her cabinet to accomplish both intended and emerging strategic goals with positive and sustainable effects in society.*



**Figure 8.** Systemic model for state governance.

The state governance model is based on three integrated systems, each having a special contribution to the whole. *Governance as a culture system* nurtures values and beliefs that are necessary for social behaviors to happen and for decisions and actions to be taken. Shared values are embedded into the cultural basis of government. They represent to the people the promise made by political and civil servant leadership. *Governance as an interaction system* fosters the engagement and trust in people, communities and businesses aiming to co-create foresight and policies. It includes ways in which governments interact with citizens or civil society groups to promote and to accomplish social and economic welfare. *Governance as a management system* forms the basis and the process by which a government organizes its affairs and manages itself. It provides the prime minister and his/her colleagues key levers for delivering foresight and whole-of-government policies. We take a closer look at the each system in the following section.

## State Governance as a Culture System

As stated earlier a state governance model should act as an agile lever for the prime minister and his/her cabinet to accomplish both intended and emerging strategic goals with positive and sustainable effects. This definition provides a rather rational view on state governance even though the basic assumptions about and practices of state governance are more multifaceted.

State governance is not solely based on clean-cut management principles and structures but also on the deeper meaning of a culture that includes “guiding principles” defining appropriate behavior for various situations. Hence, state governance is also *a cultural system of assumptions, values and beliefs that are necessary for social behavior to happen and for decisions and actions to be taken.*

The managerial assumptions and practices regarding state governance are directly embedded in the cultural basis that provides a platform for human interactions. Although rational models of state governance may look alike, their cultural platforms are always historically rooted and unique in their particular contexts. For example, some cultural platforms may support naturally emerging co-operative processes more than others. In another context horizontal co-operation could be formalized by rules and specific code of conducts. These examples suggest there is a culturally-rooted continuum of horizontal co-operation in which one end is based on mutual trust and autonomous behavior and the other end on order and induced behavior. The examples highlight the importance of interpreting and understanding the basic assumptions and practices in our organizational cultures.

Some research projects have found that rather many public sector organizations tend to have a culture that reflects a focus on rules and regulations. Risk aversion and concern about failure can be a deterrent to joining up. Moreover, an emphasized focus on short-term goals and heightened sensitivity to risk can prevent innovative approaches to complex cross-cutting issues. In addition the current accountability system allows limited encouragement to innovate or tolerance for failure. This may act as a disincentive to managing and working towards shared outcomes, as failure is viewed as potentially having serious consequences. However, employees living in such a cultural context can still have a preference for greater flexibility and more external focus than currently exists within their organization (see e.g. Bradley and Parker, 2000).

There are high demands in designing and implementing agile and effective state governance. The model itself with e.g. new processes and divisions of labor needs to be well defined and solidly argued. The demands are even higher when considering a proper cultural basis for the new state governance system. Let us take a look at the multiple horizons for culturally rooted basic assumptions.

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## Multiple Horizons for State Governance as a Culture System

*The organizational horizon* reduces the role of an organizational actor to an object and technical performer ("It"). The nature of a government policy is regarded as a thoroughly analyzed and argued set of policy objectives and key measures to be implemented: policy as a conscious plan. Processes for policymaking are heavily based on the task orientation, objective information and formal and straightforward analyses. The organizational horizon is maintained by structural mechanisms (formal procedures, clear divisions of labor, habits, values etc.) that have evolved over the years. These mechanisms are embedded in everyday practices, which are regarded natural and self-evident.

*The horizon of a single actor* is built on an assumption of the individual having a personally evolved way of perceiving and understanding surroundings and issues. This horizon emphasizes the role of the actor as an active subject ("I"), continuously experiencing his world. Common facts and objectively perceived issues are interpreted differently by each individual. Hence, strategic information related to policymaking is also subjective in the sense that it is always individually interpreted and understood. From the individual actor's point of view, government policies are made, interpreted and experienced in action. A policy is seen as an experienced meaning: "what it means to me".

*The group horizon* emphasizes the role of a group of people ("we") and the interactive process of a socially constructed government policy. This horizon emphasizes the importance of socially embedded interactions for defining a policy as an inter-subjectively negotiated outcome. It is assumed that the information processing is based on the interaction in which the emphasis is not placed on the quantity of the information but on the quality of interpretations. Socially-formed interpretations and belief structures make it easier to understand the dynamics and the complexity of the practical life in organizations. People are assumed to participate in the interaction in order to actively contribute their experience and views to policymaking.

The Ministry of Finance is one of the most powerful ministries in any country, belonging to the inner circle of the state governance system. Mainstream thinking and acting in the Ministry of Finance is based on rational-analytic assumptions including the view on the rational-economic man, very intensive and analytical task-orientation and rather limited attention to interaction processes (Määttä, 2005). One could find similar aspects in this description also in several other ministries. The challenge for a government is to transform the cultural setup from "minding my portfolio by re-acting to assignments" behavior into "minding our portfolio by pro-acting to opportunities and weak signals" behavior. A group-based horizon is a necessity for an agile and effective governance to be effected.

*Finland must change traditional ways of thinking and working in its public administration based on sector silos to a culture of open collaboration and co-ordination to support collective commitment. This will require supporting values of individual risk taking and entrepreneurship, supported by the collective achievement of shared goals. (OECD, 2010)*

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The managerial and cultural basis of government and its ministries traditionally supports imposed behavior aiming to control uncertainty and to ensure continuity. This does not leave much room for inter-subjective interaction or open collaboration across ministries aiming to make and give sense to ill-defined policy issues. This has also been identified by the OECD (2010), who gave the recommendation above to the Finnish government to change its traditional culture from sector silos (introverted) into a culture of open co-operation (extroverted). The advice is well founded. Its implementation is possible, but much passion, energy and determination is needed both from politicians and civil servants. Nevertheless, there are no options to facing the challenge if the government wants to raise the level of its governance capacity to design and deliver policies with genuine effects on society.

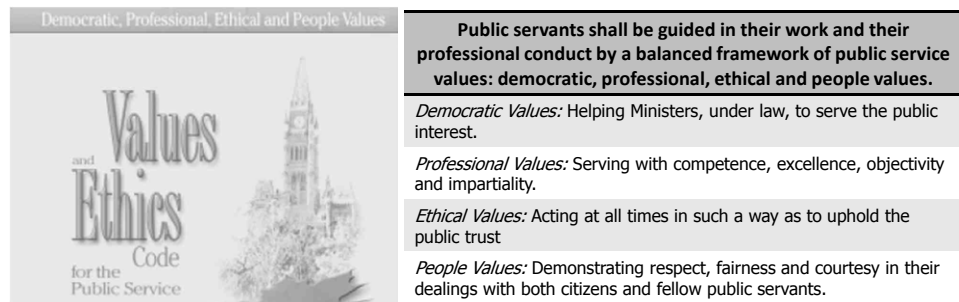
### Values and Leadership as Key Levers for a Culture System

It is important to know what to shoot for but it is at least equally important to know what to stand for. Values are often related to the basic task of the state administration. Values do not evolve on paper but in words, actions and interaction, because they cannot be "imposed, given or ordered". They can be identified, understood, described and defined because they exist in different situations involving communication and action. Values are an important code of conduct for state governance. As such they provide direct guidelines for any politician and civil servant to respect and to act in a manner defined in values.

Every government takes a stand on the values to be applied when managing its affairs. This is done either implicitly or explicitly. The latter is better because it enables joint discussion and communication on values and their meaning in everyday life. However, it has been recognized that there is incongruence between people's actions and the values they claim to espouse (Argyris, 1993). The values in use are the ones that actually guide our actions. The espoused values (or values in theory) are used to convey what we do or think. Only a few people are aware of the values they apply. However, it is possible to elicit actual behavior under certain situations and circumstances both by asking people to reflect and observing their behavior. The effectiveness of the state governance results from developing congruence between values-in-use and espoused values.

There are differences among countries on whether they have established shared values for state administration or whether ministries and agencies have values of their own. From the state governance's point of view a shared value basis forms an important part of the cultural basis of the whole-of-government. It also acts as a key enabler for the state governance both as an interaction system and as a management system. For an individual politician and civil servant shared values provide both a norm and a license to act.






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**Figure 9.** Public service values – case Canada (Treasury Board of Canada, 2003).

When we emphasize the need for a more whole-of-government approach and joint actions in government policies, then we have to conceive of leadership not only in terms of the behavior and activities of individual persons but more as the behavior and actions of collectives and their interaction among themselves. These groups of persons form and re-form different kinds of “tribes” who experience the culture in certain ways. *Tribal Leadership* (Logan, King and **Fischer-Wright**, 2008) provides an interesting framework for reflecting on different stages based on shared values and degree of leadership unity. The framework is based on five stages of people’s experiences reflecting the present culture in an organization and the groups of people (tribes) working in it.

*At stage one* tribal members exist in a state of alienation from goals beyond mere survival. They use language to describe their place in the world that asserts that life in general is unfair: in short, “Life Sucks!”. *At stage two* tribal members exist in a state of victimization. They use language that describes their place in the world that suggests that they are powerless and oppressed by forces outside their control: in short, “My life sucks.” *At stage three* tribal members exist in a state of self-aggrandizing competition. They use language that describes their place in the world as great by virtue of the fact that they have won positions of status and power: in short, “I am great!”. *At stage four* tribal members exist in a state of mutual co-operation around a common goal, which is typically characterized by competing against other competitor organizations. They use language that describes their place in the world as meaningful because they are positively contributing to achieving outcomes valued by the tribe by co-operating with other members of the tribe: in short, “We are great!”. *At stage five* tribal members exist in a state of flow. They use language that describes their place in the world as intrinsically meaningful and focused on the good of the society: in short, “Life is great!”

People's experience	People's relationship	Relationship to values	Behavior	Structure
"Life is great"	Team	Vital	Innocent	
"We are great"	Partnership	Important	Tribal pride	
"I am great"	Personal	Useful	Lone warriors	
"My life sucks"	Separate	Ineffective	Apathetic victims	
"Life sucks"	Alienated	Undermining	Despairing hostility	

*High*  
 ↑ Degree of Shared Values and Leadership Unity  
 ↓  
*Low*

**Figure 10.** People's experiences in a culture (adapted from Logan, King and Fischer-Wright, 2008).

The present culture and the espoused values always mirror the leadership capacity of politicians and top civil servants. Due to traditionally strong emphasis on seniority and deeply specialized individual expertise the present culture is based on "I am great – you are not that great" experiences. The present culture is also accompanied by risk aversion encouraged by a system that does not want to be surprised by emerging ideas without any pre-made analysis or preparation.

Serving the public interest and delivering positive effects to the lives of people form the core mission for any government to exist. Leaders need to have a system of state governance with a culture and values basis that is able to fulfill this mission. In order to make this happen, the culture and values basis of the government should correspond to stages 4 or 5, in which people experience pride and joy in belonging to something that is much more than a collection of individual experts or silo-based ministries. "We" calls for both vertical and horizontal partners and teams in policymaking. Expertise and leadership unity supports a whole-of-government approach by having a shared strategic agenda, outcome- and solution-driven mindset and flexible resource mobility. The top management is responsible for taking organizations and their people to the level of culture that equals the mission of the corporate state. In any public administration this level should be "life is great".



## State Governance as an Interaction System

*As more and more information becomes available people are crying out for tools to interpret that data, for transparent processes for dialogue and decision-making, and enough time to properly and widely discuss the options. They are looking for leadership and increasingly demanding transparency and accountability in governance. (Richard Curtain, Australian Public Policy network)*

In the majority of the OECD countries, relations between citizens and governments as policymakers are mostly limited to formal processes. Governments regularly make available or actively deliver information to citizens, who at best receive it as a one-way street with no possibility to respond. Sometimes governments ask citizens to offer their views as part of a consultation exercise. In relation to national issues, this is usually done through a formal inquiry in which the government sets the agenda, provides the background information and invites citizens to make formal submissions to respond to the terms of reference. It is obvious that government's policymaking suffers from a lack of opportunities for citizens to engage with policymakers.

Interest in citizen engagement and interaction has increased in response to decreasing voter turnout and criticism directed at politicians and political parties. Despite these reasons one could argue that the quality of policymaking would greatly benefit by applying new methods to engage people in both policymaking and policy delivery. Co-creation of policies and regulations are worth examining in more detail.

### Engaging by Co-creation: a Solution to the Innovator's Dilemma

*An innovator's dilemma for any government to be solved: How can we find radical new ways of delivering better policies, regulations, services and outcomes at significantly lower cost? (Adapted from Christian Bason)*

Co-creation is a form of citizen engagement that emphasizes the generation and ongoing realization of mutual government-citizen interests. It considers policymaking as forums for both government and citizens to share and renew each other's views and capabilities to create policies with better effects through new forms of interaction mechanisms. Let us take a look at two interesting cases on co-creation: the first on regulation and the second on policymaking.

The first example of a *co-creation process on lawmaking* is the e-Democracia Project in Brazil. Launched in June 2009 by the Brazilian House of Representatives, e-Democracia aims to engage citizens in the lawmaking process to achieve tangible legislative results. Relying on the use of social media combined with offline legislative events (e.g., committee hearings) the co-creation initiative is intended to reach citizens, parliamentarians, civil servants, researchers, nongovernmental organizations and interest groups. The main goal is to permit easier access to the decision-making process by citizens who are not associated with strong interest groups or corporations that usually lobby for access to the center of power in

Brasilia where the national government is located. e-Democracia is driven by the belief that the lawmaking process can benefit from the convergence of political representation and citizen participation in a virtuous cycle in which one model strengthens the other. The backbone of the initiative is its website, which provides multiple participatory mechanisms with which citizens can a) share information about a problem that needs to be addressed by law; b) identify and discuss possible solutions to the problem; and c) draft the bill itself. (See more at [www.edemocracia.gov.br](http://www.edemocracia.gov.br).)

The second example of a *co-creation process on policymaking* is the Danish Climate strategy. When the Danish government decided to formulate a new strategy to combat climate change while driving new business growth, its delivery required close coordination among several government ministries. Usually this would have provoked conflict: for example, the environment ministry would be unlikely to promote the same objectives and solutions as, for instance, the trade ministry. However, in the co-creation process government officials worked in a different way. They cut across the organizational 'silos', and the new policy was crafted in the course of a series of design workshops that involved businesses and citizens as well as academics, experts and artists. The Climate strategy is exemplified today in, amongst others, the Copenhagen Climate Consortium (see [www.klimakonsortiet.dk](http://www.klimakonsortiet.dk)), a public-private partnership, as one of its implementations. (See *Christian Bason*, [www.innovationmanagement.se/2010/10/04/use-co-creation-to-drive-public-sector-innovation](http://www.innovationmanagement.se/2010/10/04/use-co-creation-to-drive-public-sector-innovation).)

So far citizen engagement has referred to processes through which governments seek to encourage deliberation, reflection, and learning on issues *mainly at preliminary stages* of a policy process, often when the focus is more on the principles that will frame the way an issue is considered. However, co-creation opens up more options for engaging citizens in a truly two-way-street process. Interaction by co-creation could be highly valuable when exploring emerging issues that require learning by both government and citizens. Co-creation can be applied at different stages of the policy life cycle: agenda-setting; analysis and interpretation; policy formulation; policy implementation and evaluation (OECD, 2003).

Co-created policies differ from traditional ones in terms of their design, content, systems, their structures of delivery and their approach to resources. Co-created policies will need to mobilize resources and competences distributed across departments, communities and businesses, rather than turning solely to professional expertise located within governmental institutions. Distributed resources will be most effective when they can be used collaboratively to share ideas, provide mutual support and give voice to insights of citizens. Distributed resources need to be brought together to make an impact. Policies will be co-created to address the particular needs and circumstances of citizens, businesses and communities. This requires interaction, participation and joint problem-solving among politicians, civil servants and professionals. Distributed, collaborative and co-created policies will require radical organizational innovation on a scale far beyond traditional models of public sector development (see also Cottam and Leadbeater, 2004).

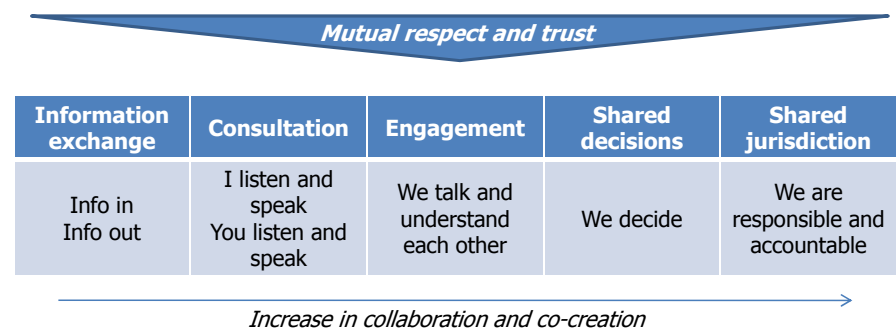
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### Mutual Respect and Trust in Co-creation of Policies

Co-creation could act as a dynamic lever for a democracy value chain. Citizens and other stakeholders are considered as co-creators of public value and effectiveness. To make this happen, a great deal of mutual respect and trust are needed. When moving towards delivering impacts with others governments expand their roles from initiators, policymakers and decision-makers into partners, facilitators and collaborators. This provides governments a broader continuum of options ranging from acting alone with direct authority to exercising their power to enhance the co-creation power of society.

*It is better to trust and be disappointed every once in a while than to not trust and be miserable all the time. (Abraham Lincoln)*

Some doubts and concerns are related to the expansion of citizen engagement. Some argue that in addition to spending resources on citizen consultations they may delay decisions and their implementation. Others are afraid of single-interest groups misusing open access for their own lobbying. Fear of ‘citizen dictators’ indicates concerns about politicians and civil servants losing their decision-making authority. Some are worried about high and unrealistic expectations that cannot be met. These concerns are understandable, and they highlight the importance of well-thought use of co-creation processes. The mode for collaboration needs to be adapted to the issue in question: one size does not fit all policy issues. However it is as important to unveil the myths and overcome the doubts around people’s engagement.



**Figure 11.** Continuum of the interaction system (adapted from OECD, 2003).

Governments can no longer act alone. The cultural basis on which a “life is great” experience is built will encourage politicians and civil servants to respect and trust each other and different stakeholders. The increasing number of complex and ill-defined policy issues impel new forms of interacting and engaging different actors in both policy design and delivery. Future state governance will go beyond the traditional relationship of governments as providers of policies to citizens towards creating new forms of working with citizens in order to deliver high public value through positive effects on people’s lives and society as a whole. Equally important for every government is to note that citizens also interact more and more without having any governmental or other authority on board all the time. Multilateral interaction among different people living in different countries can be a very powerful lever in challenging political leaders and civil servants to (radically?) redefine their roles in an open system society.

## State Governance as a Management System

State governance as a management system includes processes, structures and a management model through which the government executes its program as well as the objectives and measures further specifying it. The management system should include both horizontal and vertical mechanisms for delivering government policies. It is worth mentioning that not all policies and activities are managed by government-led state governance. The individual ministries and agencies apply governance models in defining and delivering strategic goals in their administrative domains.

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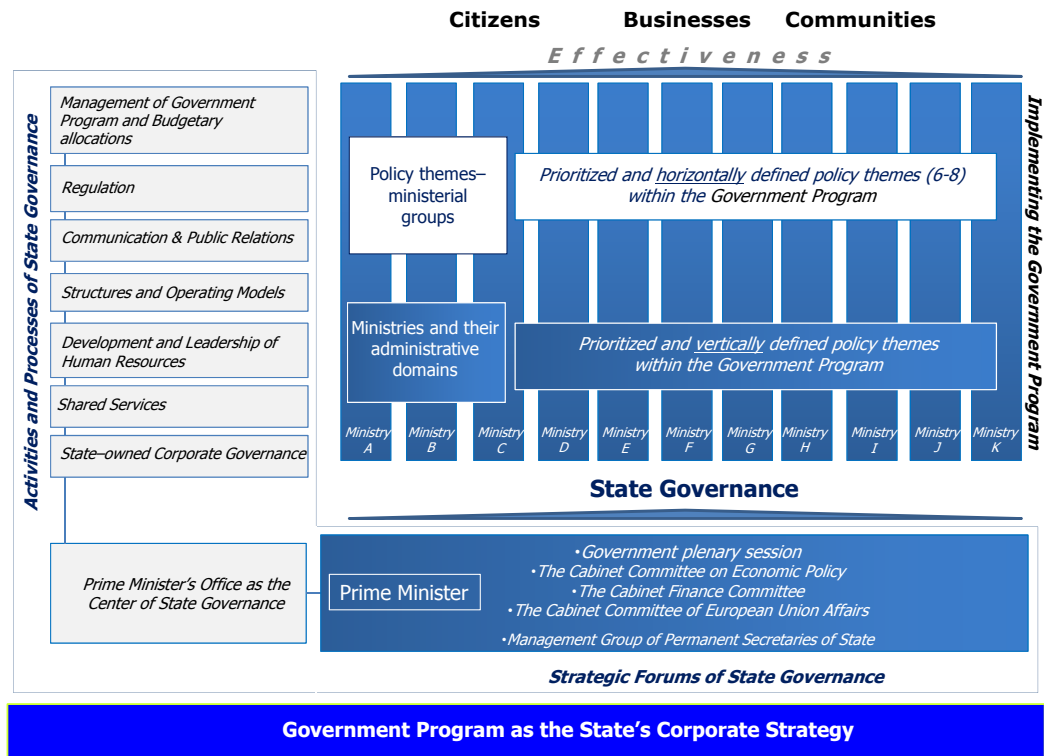


Figure 12. State governance as a management system (Määttä and Sitra, 2010).

The divisions of responsibility into separate governmental departments will sooner or later create blind spots where things cannot be done or even articulated because they are not accessible within that structure. One of the key reasons to emphasize the importance of government-wide state governance is to create new kinds of mechanisms to overcome the institution-based rigidities that have been caused by division of labor, power and incentives that ignore the need for proactive actions on horizontal issues. Budgetary constraints are not only a matter of scarcity but also a matter of rigidity leading to narrow-minded sub-optimization and defensive incentives to protect the status quo instead of challenging it. The disconnect between fiscal-led budgetary management and content-led policy management is probably the worst effect of the traditional machinery of government which was built more to control people into not making mistakes than enabling them to deliver positive effects in a cost-efficient way.

## Activities and Processes of State Governance

State governance as a management system comprises the following key activities and processes supporting the Prime Minister and the Ministers of the Government in managing the execution of the Government Program:

- Management of Government Program and Budgetary Allocations
- Regulation
- Communications and Public Relations
- Structures and Operating Models
- Development and Leadership of Human Resources
- Shared Services
- State-owned Corporate Governance.

Some of these activities and processes are explained in more detail in the following section.

### *Management of Government Program and Budgetary Allocations*

The disconnection between policy objectives and budgetary decisions is one of the major shortcomings in most state governance systems. Most countries have not succeeded to change the traditional setup in which the budgetary process is mainly used for fiscal management, not for politico-strategic management. However, in our model of systems-based state governance it is highly important to tie the government's content-based policy priorities to budgetary resource allocations. Resources should be flexible enough to be re-allocated whenever needed for strategic reasons. Furthermore, resources should be allocated by content and demand, not by ownership or by historic evolution. In order to create a management system that is primarily based on the outcomes and effects to be delivered, some readjustments may be needed in the division of labor between the Ministry of Finance and the Prime Minister's office. These actors should be bonded together in order to create a coherent and evidence-based platform for the government to decide on content-driven priorities and actions followed by equal budgetary allocations, as well as re-allocations.

### *Regulation*

Regulations have enormous impact on people's everyday lives. It is a very powerful measure for governments to implement their policies, e.g. to ensure a fair and competitive marketplace, to protect health, to provide safety, to stimulate innovation and to preserve the natural environment. However, the effectiveness of the regulation radically depends on its quality. In some countries, e.g. in Finland, the tendency has been to increase the quantity of regulation while the quality has been critically questioned.

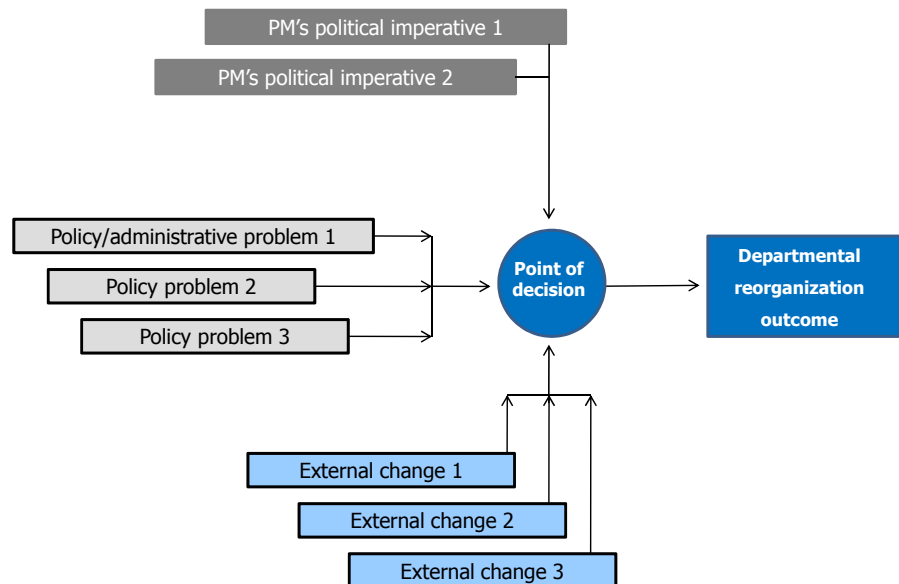
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As an important part of state governance, regulation should be “re-invented” both in content and in process. Intended effects should be emphasized much more when a new regulation is being considered. There should also always be the real option to consider alternatives to traditional regulation: *co-regulation* based on entrusting the achievement of the goals set out in law to, for example, non-governmental organizations and/or *self-regulation* based on voluntary agreements between private actors to solve problems by making commitments between themselves. The regulatory process and the way it is conducted should be much more transparent and participative for citizens and customers. This will be addressed further later in this report when taking a look at state governance as an interaction system. From the government’s point of view the general goal for any regulation is to have better and more effective regulation. In addition to the regulation process, state governance concerning strategic regulation projects must also focus on the content of the regulation as well as the follow-up and assessment of the impact caused by the regulation. There should be even more strict demands placed on those regulations that play a large role in delivering the government’s strategic goals specified in the government’s program. The Prime Minister’s Office should have the main responsibility for state governance concerning the regulation measures of policy themes included in the Government Program.

#### *Structures and Operating Models*

Discussion on the relationship between strategy and structure has been on the agenda for a long time: when changing strategy, should also the present structure be changed as well? One could argue that radical reforms both in governmental structures and operating models will take place in the near future. From the whole-of-government perspective it is not a secondary question whether these reforms are managed with high professionalism ensuring both efficient and effective implementation. Any government needs to have frameworks, competences and change management models at its disposal when launching demanding changes in structures and operating models. Again, from the government’s perspective this is even more important for those priorities and actions identified in the government program. Professionally managed changes with high respect for the people involved in the change will lead to positive results and outcomes.

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**Figure 13.** Changing the machinery, structures and operating models (Institute for Government, 2010).

The task of state governance is to assess the implementation capacity of the governmental structures and operating models as well as the need for change particularly from the perspective of implementing objectives across the boundaries of the ministerial portfolios. State governance should establish a professional and efficient management model for the implementation of demanding changes. This model is particularly applied in structural and operating model changes which go across the boundaries of administrative domains or are otherwise important for the execution of the Government program.

#### *Development and Leadership of Human Resources*

Professionalism is a highly regarded value of its own in the public sector: lawyers, doctors, teachers, economists etc. are examples of respected professions. However there is no tradition in the public sector to consider a person in a management position to be a member of the management and leadership profession. Nevertheless, there are some signs of this happening in countries that are placing more emphasis on competencies in management and leadership when selecting and appointing management positions. A talented pool of managers and leaders would be a valuable asset for any government coming into power to deliver its program.



State governance based on the development and leadership of human resources provides real added value if it successfully ensures the rapid development of professional management and leadership. Having a model for systemic management mobility would enable governments to significantly lower the silos and barriers between different policy areas. This would be a very efficient and effective way to emphasize the importance and added value of the whole-of-government approach.

Hence, the highest executive positions in the state administration should be based on systematic job rotation, leadership evaluation and leaders' professional development. Career development for public sector leaders should be more closely tied to leading and managing the complex whole of government projects. The State group's executive leader and incentive agreements should include responsibilities related to the execution of the objectives included in the Government Program. The leader agreements must also include objectives to reinforce the mobility of the State group's horizontal operating methods and resources with regard to the Ministry in question.

*In Alberta, Canada, officials agreed that getting departments to work together is the biggest challenge to public service and that achieving this depends on the behaviors of senior officials in the departments. The most effective incentive to joining up has been to explicitly link the performance pay of senior officials to horizontal policy initiatives. For Deputy Ministers, the heads of the departments, 20% of their remuneration package is based on performance, and 75% of this is based on their performance in horizontal issues. For the assistant Deputy Minister, 50% of their performance pay is based on horizontal initiatives. This has created a meaningful incentive to focus on the success of the government's horizontal initiatives, even if it requires re-allocation of resources away from achieving the goals in the department's business plan.*

### **Strategic roles and arenas in state governance**

Government structure is traditionally based on a number of pre-defined sectors and administrative domains. The respective ministry/department and its minister has an independent mandate to operate within the operational and fiscal frame of the respective sector. On the other hand, in addition to the minister's role as an independent "managing director" a minister is also a collective member of the government and accountable for the decisions made by the government as a whole. However, from the whole-of-government point of view, it might not be enough to only apply a horizontal approach on the government level.

The Prime Minister acts as a *primus inter pares* in the government. S/he leads the key cabinet committees which enable the prime minister to have an overall perspective on the government's policies and actions. No matter the political setup in the government, the prime minister's role is crucial to leading and aligning the government's policy priorities. His/her leadership style also plays a role in enhancing either more collective commitment and mutual dependency or individual commitment and ministerial independency. In the former case a prime minister needs to have structures and processes that rely on intensive leadership unity also outside the formal government cabinet committees.

Canada has adopted a system that allocates responsibilities to Ministers in leading and implementing a joint initiative. Projects have both Ministers and Deputy Ministers (the heads of the public service departments). The Deputy Ministers support both individual and collective Ministerial responsibilities with respect to policy development and implementation. Thus the Deputy Minister is responsible for providing advice on all aspects of the portfolio and for taking a 'whole of government' perspective, consulting with other departments and identifying and resolving differences. The Ministers are expected to support the Deputy Minister, but it is the Deputy Ministers who have responsibility for horizontal management.

New roles and arenas are needed within the state governance to strengthen the unity of the leadership also in the day-to-day operations aiming to implement the government's strategy. The roles and the incentives of the political management and top civil servants should be re-aligned to foster more horizontal co-operation in planning and implementing actions for effective policy delivery.

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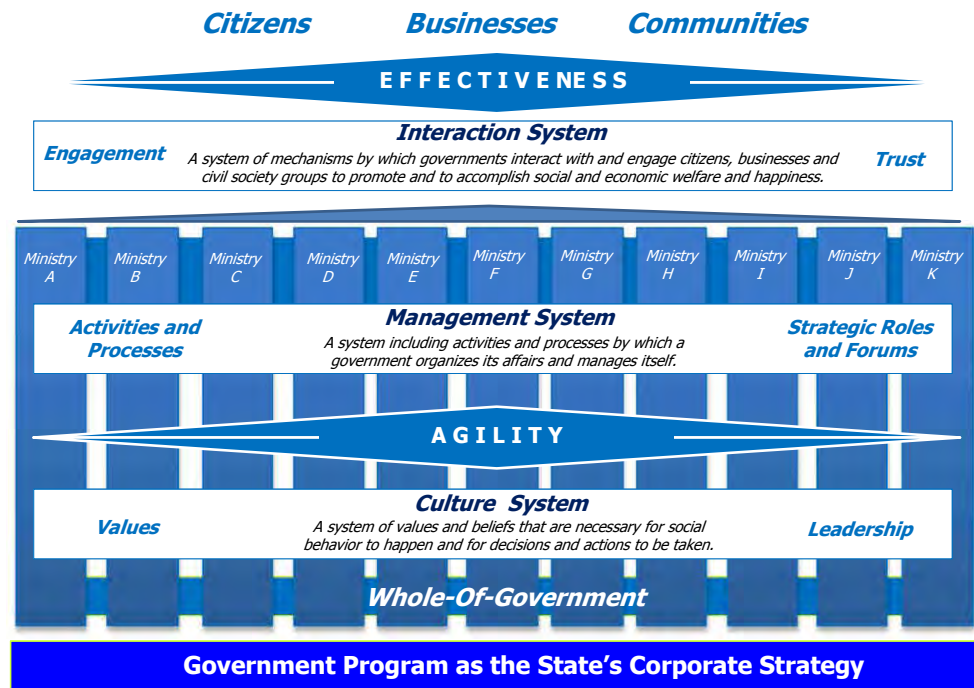
## 5 Agility and Effectiveness in State Governance

European countries, as well as many other countries in the world, are facing numerous interrelated structural challenges and continuously emerging policy issues. All have different types of impacts on society, the economy and the environment. Each one is a subject for intensive debate with no single truth or commonly agreed solution. The only thing that seems to be widely acknowledged is “if we want things to stay as they are, things will have to change” (G.T di Lampedusa, 1958, The Leopard).

*State governance is an agile lever for the prime minister and his/her cabinet to accomplish both intended and emerging strategic goals with positive and sustainable effects. Citizens, businesses and communities are co-creators of agile and effective state governance. State governance includes assumptions, values and beliefs that are necessary for social behavior to happen and for decisions and actions to be taken. Hence, state governance should be aligned with the cultural fabric of “the corporate state”.*

The State’s corporate strategy encompasses the shared strategic intent, the prioritized policy themes and objectives, and how to allocate the resources accordingly. At best, it clearly specifies what our goals are, what will be focused on and what must be achieved. The primary task of state governance is to support and ensure the implementation of the corporate strategy. Defined like this, state governance is linked to nurturing the implementation of the politically specified corporate strategy.

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**Figure 14.** Systemic model for agile and effective state governance.

Our aim has been to provide a convincing case for an agile and effective state governance. We consider this can be a mission possible if governments (politicians and civil servants) are willing to challenge and change some of the traditional basic assumptions based on

- vertically defined division of labor, performance measurement and resource ownership,
- bureaucratic individualism and silo-based autonomy and lobbying,
- risk-awareness and disincentives for ideas and innovations.

State Governance not only concerns “*spending less*” and doing more with less. It also entails “*spending well*” by flexible and demand-driven resource allocation and efficiently operating vertical and horizontal processes. Ultimately an agile and effective governance is about “*spending wisely*”, co-creating and delivering solutions for challenging policy issues with positive effects in society and in the economy. The focus on effectiveness is a critical component of systems-based governance because it urges the government to focus on the complex and horizontal challenges facing society that can only be addressed through joined-up actions. This includes respective partners both inside and outside government willing to pool their ideas, competences and resources together in co-creating something more than could be done by any single actor.

*Outcomes are the associated change in the wellbeing of the community as identified by the government's agenda (White, 2006).*

It is a demanding challenge for any government to continuously strengthen its agility and self-renewal capacity in order to master changes in its strategies, structures, processes and knowledge to deliver positive effects in a society. This is the mission possible to be delivered by an agile and effective state governance.

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