

# **Governments for the Future: Building the Strategic and Agile State**

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## **Executive Summary**

New problems are confronting national governments. They stem from globalization and technology which have made the global economy and politics interdependent, unpredictable and complex. Old-style solutions, designed for a simpler and more orderly world, no longer suffice. Take long-term youth unemployment: the issue straddles domains from urban development and education, economic and technology policies to juvenile delinquency and welfare. Attacking this problem from a single Ministry will inevitably fail. Global issues such as cyber security and climate change collaboration across borders between an even more complex array of stakeholders, in the first case instantaneously and in the second consistently over decades.

Governments are poorly prepared to face such challenges effectively; most focus on politically salient short term issues, they are organized by specialized ministries and agencies that make it hard for them to make collective long term commitments to coherent action.

To address these challenges, governments need to transform the way they operate. They need to think more strategically and holistically, they need to achieve greater resource allocation flexibility, and they need greater cooperation among their ministries and agencies, and with a wider array of stakeholders. In short, greater strategic agility. In particular, the governments of export-dependent countries are impelled to face and respond to the emerging global challenges strategically. The key question we are seeking to answer is: what capabilities are needed to compensate for the inherent weaknesses of democratic governance models, while nurturing national strengths in the global economy? And how do we develop these capabilities?

Our research identifies three enabling vectors of strategic agility: strategic sensitivity, resource fluidity, and collective commitment. They need to be

developed together in an integrated manner. First, governments must develop the ability to gain insight into evolving situations within a complex environment – a combination of attentiveness, foresight, real-time analysis and sense-making, and pattern recognition. Second, to benefit from strategic sensitivity, governments must be capable of mobilizing and redeploying resources to take action in a timely manner – this is resource fluidity. Third, to achieve strategic agility in action collective commitment and unified leadership are crucially important.

To instill strategic agility into the administrative culture of a government requires consistent action on four levers of change. One is *cognitive*: gaining a more ambitious, more strategic, more integrated and longer-term perspective and a sharper grasp of current developments. Another is *relational*: shifting the patterns and modes of interaction among and between politicians and senior civil servants to make collaboration and joint action across ministries feasible, effective, and rewarding. A third is *organizational*: changing reporting relationships and the composition and activities of organizational subunits. The *emotional* lever is also strong – change speaks to the heart as well as the mind. Dissatisfaction with the status quo, as a function of policy results, can be used to inspire new perspective and provoke action. There are many barriers to this process, of course. They include orthodoxies inherited from past successes and the simple inertia of bureaucracy.

Our research examines examples of governments that have been building strategic agility in their policy development and implementation. We take a closer look at Sweden that has over the last 30 years managed to develop a governance model that integrates all the three vectors of strategic agility. We also analyze the change process that the Scottish Government has carried out since 2003 in their pursuit of a more strategically agile state. While neither presents an ideal or even a roadmap to emulate, there are many lessons we can draw from their experience.

The last chapter of our report focuses on Finland. We first analyze Finland's cope with new complex challenges and thereafter make concrete recommendations as to how the Finnish government could build a more strategically agile state.

There is no definite solution to global interdependent, complex, global problems. But we can create a capability – strategic, dynamic, adaptable, and self-reinforcing – that will enable governments to manage them successfully over time.

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