Strategically Agile Government

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Synonyms

Adaptive public policy and public organizations; Strategic insight

Definitions

Strategic agility consists of adaptive strategic sensitivity, resource fluidity, and collective leadership commitment.

Introduction

This conceptual paper aims to set out a new framework for public sector governance and leadership in order to help decision-makers to cope with increasing complexity and volatility. The difference between linear and complex way of policy-making is profound – it relates to the nature of policy-making, context of policy-making, and initial conditions that affect the policy process. Because of the increasing complexity of our societies, a recent OECD Public Governance Committee Report (OECD 2017) advocated the view that governments should find new systemic solutions to complex – or wicked – societal challenges to build more resilient and adaptive government and public administration structures that incorporate, rather than filter out, complexity. This paper aspires to provide a framework and some practical insights on how this could be done.

As for the background, it has been over quarter of the century since the publication of Hood’s (1991) seminal work on the concept of New Public Management (later on referred as NPM). Pollitt (2007) sums up the development of New Public Management by arguing that the landscape of public sector organizations and organizational processes remained differentiated after the deployment of this doctrine: there was no substantive convergence among those national governments that advocated the doctrine simply because they, and the management systems they used, remained so different. This is due to the fact that public administrations vary a lot in terms of their political, economic, and organizational cultures. As a consequence, it was not very surprising that the NPM doctrine in fact encompassed a relatively brief and transitory phase before the emergence of the embryonic plural and pluralist tradition of the New Public Governance (later on referred as NPG) doctrine (Osborne 2006). NPG brought into the “management picture” the role of policy
networks and decision-making based on organizational networks.

There are certain “hardy perennials” of contemporary public policy and public management literature. These “hardy perennials” include conceptual entities such as bureaucracy, network, decentralization, power, governance, and, we would like to add, strategy. Somewhat surprisingly, the last one of these, strategy has been an unassailable concept in the management and public policy sciences for decades. This paper intends to fill this gap, and it builds upon the concept of public sector strategy and strategic agility in particular.

Over the last few years, strategic agility has gained popularity in management sciences and in academic public policy discourse because of its ability to link up with other theoretical concepts (e.g., Rosenberg Hansen and Botcher Jacobsen 2016). Moreover, it is somewhat surprising that the role of strategy and strategic insight has remained a rather unexamined research aspect within the plethora of recent public sector reform literature. Public sector reforms are typically hybrid, complex, and inconsistent, and they address usually permanent tensions between certain key elements in public policy – that of juxtaposition between centralization and decentralization, between coordination and specialization, between integration and fragmentation, and among efficiency, fairness, and resilience goals – but neglect the role of strategy aspects.

This paper proposes a new governance framework (and New Public Management doctrine) for public policy and public administration, based on the concept of strategic agility. Strategic agility refers to the ability to exploit or create to one’s advantage changing patterns of resource deployment in a thoughtful and purposeful but also fast and nimble way rather than remain hostage to stable preset plans and existing action models (e.g., Doz and Kosonen 2014). The concept of strategic agility stems from research concerning the experience of large mature business corporations that have navigated major disruptions and systemic transformations (Doz and Kosonen 2008; Doz and Wilson 2018). Although relatively new, the strategic agility framework has been adopted and used successfully by the OECD in its country governance assessment work (OECD 2011) and further applied in empirical academic research on governments (e.g., Doz and De Clara 2013) and public policy (Virtanen and Stenvall 2018).

Over the years, there has been discussion going on about the specificity of public sector leadership vis-à-vis leadership in private sector. This paper builds upon the idea that the differences between private and public organizations are relative instead of absolute. This view holds that the specifics of a public organizations exist – e.g., the role of multiple organizational objectives as well as the fragmented focus with regard to accountability (e.g., Van Wart 2013) – but there are no absolute limitations or barriers for leadership competence transfer from private sector to public administration and vice versa.

This paper approaches strategic agility of an organization (public or private) from the interplay of three capabilities: strategic sensitivity (i.e., the capability for superior foresight and insight and for real-time strategic sensemaking), resource fluidity (i.e., the capability to reallocate resources to new opportunities and emerging challenges in a timely fashion), and collective commitment (i.e., the capability to make and implement decisions that mobilize multiple subunits toward sustained integrated action). The aim of the paper is to explore how the concept of strategic agility fits within the domain of government, public policies, and administration. The paper builds upon the belief that there is a need for such a more holistic framework to help governments and public sector organizations to cope with increasing complexity and volatility in an integrated way. Strategic agility constitutes an important theoretical trajectory in the emerging public sector management ideology (e.g., Virtanen and Stenvall 2018).

This paper is organized as follows: firstly, it focuses on at the evolution of public sector management doctrines. Secondly, various types of rigidities that prevent proactive systemic and organizational changes in public policies and organizations are analyzed. Thirdly, the paper
describes how strategic sensitivity, resource fluidity, and collective commitment function in the domain of public governance. Finally, the paper sets out the future research agenda with regard to strategic agility in government and public administration.

The Complex World of Public Policies

The strategic as well as operational reality of the public sector has changed radically. Governments and their public administrations face globally fundamental and pervasive transformation challenges to their policy-making and policy delivery. Public organizations will also be profoundly affected by this transformation. In this section we ask, what causes this transformation?

First, the world itself has changed. Demographics, technological revolutions, and geographic shifts make existing public policies unsustainable and call for more effective approaches. Nation states, their governments, and public policy delivery mechanisms need to respond to these challenges. Second, the vulnerability of the financial system and the high cost of its rescue, compounded and accelerated the structural adjustment crisis demographics, technology and globalization are driving, leading to unsustainable levels of public spending and borrowing. The need to reduce public expenditures now forces governments to rethink the value of their role and activities from a more strategic and more selective perspective.

Third, established public policies are meeting their limits: despite sustained efforts, and some measure of success, they are showing themselves unable to solve long-standing (so-called wicked) challenges stemming from complex and unpredictable cause and effect relationships unfolding over time such as juvenile delinquency and long-term unemployment and to address emerging challenges, such as health-care costs, service ecosystem planning, retirement benefits and longevity, or the difficult lifestyle changes global warming calls for. These problems are characterized by symptoms being felt in one domain of government action, true causes being found elsewhere, and potential solutions deployed in yet other domains. Committing more resources to address them in a “siloed” manner no longer leads to improvements. Their systemic nature calls for new conceptual understanding about human well-being (e.g., Häimäläinen and Michaelson 2014) and systemic public policy solutions in public service delivery (Doz and Kosonen 2010; Middleton 2010), i.e., well-integrated and coordinated actions in multiple policy domains, deployed in an adaptive fashion over long periods of time.

Fourth, in major OECD countries, past choices further exacerbate the need for better integration and unity of government actions. In the 1990s decentralized specialized “agency” models came to prevail, within the public sector management paradigm often referred to as the NPM, to provide focus, efficiency, and accountability to policy implementation. These agency models, often based on decentralization, fitted well to situations where policy areas were independent, and measures taken in one area had no impact on others. For systemic problems and even more so for “wicked” challenges which cannot effectively be decomposed into separate simple problems, they are clearly inadequate.

Fifth, in the spirit of enhancing democracy, a new policy formulation and implementation model came to be widely advocated. According to that model, which often was labeled as the NPG, policy formulation was the purview of the political process, whereas the implementation and policy delivery was still at the domain of the administrative process. However, when confronted with challenges from strategic states which take a much longer-term perspective, such as Singapore or China, and where the policy and governance processes are closely integrated, the shortcomings of that formulation/implementation dichotomy and the limits of the political process in making wise strategic commitments became painfully obvious. Historically, political strategies were motivated by ideologies, but the confrontation with reality has eroded and exhausted ideologies in favor of greater pragmatism.

Furthermore, modern information technologies make society more transparent and
interactive, which challenges not only policy-making but also policy delivery mechanisms, highlighting, for instance, the role of various service co-creation models in public administration. Constant (social) media attention makes politics and policy planning alike even more shortsighted and fragmented than electoral calendars. This has called for faster and more intelligent policy-making. “Wicked” policy challenges demand long-term sustained integrated attention across a range of departments and agencies and patient commitment to coherent actions across these. This takes much longer than the duration of a government, or even of a senior civil servant’s tenure, not to mention the attention span of public opinion driven by media hype, social networks, and opinion polls.

Strategic and Organizational Rigidities in Public Sector

In a research for incumbent companies (Doz and Kosonen 2008), and later in applying these research findings to public sector context (Doz and Kosonen 2014), three sources of organizational rigidity were pinpointed – strategic atrophy, resource imprisonment, and diverging commitments. All of these are critical impediments. In the absence of strategic awareness, sensitivity, and understanding, governments will keep acting inertly on a “default” course of more of the same. Resource imprisonment prevents the timely dynamic reallocation of resources to new demands and challenges and perpetuates legacy budgeting. Diverging commitments among politicians and civil servants render consistent and committed collective action impossible. These rigidities are discussed in the following:

**Strategic atrophy.** In stable conditions, continuous positive feedback from ongoing activities reinforces established assumptions, perceptions, behaviors, and values. These aspects filter the issues decision-makers perceive and constrain collective learning and policy-making processes by emphasizing confirmatory evidence and discounting challenging evidence. This leads to tunnel vision, the gradual narrowing of decision-makers’ attention frames, with the range of alternative solutions considered restricted to the ones already practiced. A clear division of labor and lack of horizontal cooperation among public sector organizations further breed tunnel vision, each unit’s attention being focused narrowly on its domain.

Second, both individuals and organizations suffer from shortsightedness. Public sector organizations must accommodate the rapidly evolving interests of their politically elected leaders. These interests rarely extend beyond the next elections or even the next opinion poll. Moreover, annual budgeting processes make major long-term commitments and investments difficult for policy-makers and provide no incentives for longer-term performance in providing better and more affordable services to the population.

Yet, public sector leaders seldom get rapid feedback from their decisions, and the results of public policies are often hard to assess, particularly when dealing with complex challenges given the limits of evidence-based policies. Achieving strategic sensitivity would require continuous policy analysis; strong foresight capabilities, evaluation, and learning; as well as a strong shared knowledge base (Fuerth and Faber 2012). Hardly any government has the necessary capacity for this at the strategic policy-making level. International praise for success in competitiveness, education, and well-being rankings are a poor proxy when consequences of policy choices are not well understood. Moreover, they may breed complacency and a dominance mind-set.

**Resource imprisonment.** A second group of factors causing rigidity restricts the mobility of resources between alternative uses. Decisions that would require resource reallocations become hard to make. Individual departments, and their leaders, hold tightly to their “established” resources in the budgeting process. Conventional “legacy” planning and budgeting as well as existing laws and regulations for fund appropriation may leave little flexibility for resource reallocation among different policy priorities. Highly specialized and tightly integrated service delivery systems may also become a constraint to resource fluidity: they do not support new types of
activities nor benefit from the sharing of expertise and resources among different organizational units. Existing rules and regulations, union-driven work practices, specialized investments and equipment, and established management practices all get in the way. Efficiency and agility work at cross-purpose.

The infrastructure and processes of collaboration and flexibility such as common data and shared information and IT systems as well as job rotation and training are also either completely lacking or insufficient in many administrations, and the processes for collaboration may be nonexistent, making the development of trust and commitment to joint action fragile and tentative. Long-lasting relationships with various stakeholders may further reduce the flexibility of resource allocation processes. Social ties and alignment with specific interest groups tend to bind decision-makers. New areas with new relationships tend to receive less attention and resources than established areas with strong and familiar relationships.

New strategic directions may be inhibited by competence gaps with insufficient talent to support the new activities. New strategies tend to require new types of competences that may not be easily available and do take a long time to develop. The practice of NPM may have led senior civil servants to hone the very kind of skills that will hamper rather than help the implementation of more integrative policies. Competence gaps lead to a mismatch between the strategic goals of the organization and their feasibility.

In established bureaucratic government organizations, the day-to-day performance of separate ministries, departments, and agencies may lead their managers to slowly develop differences and divergences that make taking decisions toward new strategic directions difficult. Strategic analysis, when conducted separately in each ministry, may result in even stronger divergence. Creeping deviations in understanding and priorities over time are reinforced by separate partial strategic analysis in each ministry.

**Diverging commitments.** Stable environments and clear role delineations for ministries departments and agencies strengthen the established interests who would lose most from structural change and reinforce existing perceptions and interpretations. In addition, past success and stability deepen social bonds and networks, which become constraints to change (Seo and Douglas Creed 2002). Fear of social opprobrium may deter civil servants from risking to “rock the boat” with radical ideas or initiatives. The growing size and specialization of public sector organizations and the move toward focused decentralization tend to separate their managers from each other as their own organizational units demand more attention and personal incentives and ambitions focus their attention to subunit goals. Over time, they may perpetuate their own specific belief systems, ideologies, preferences, and educational backgrounds. Yet, addressing wicked challenges requires collaboration and commitment from all the key stakeholders. Such commitment is difficult to achieve if the leaders of relevant public sector organizations are too divergent, attached to their own political power, defending their budgets, reliant on their own expertise, or emotionally disengaged.

Furthermore hubris sometimes drives harmful organizational turf battles, in particular, when an overall scarcity of resources turns resource allocation into a zero-sum game or an organizational “truce” between competing claims (March and Olsen 1976). Inflated egos may also surround themselves with people who have similar values and backgrounds and become sycophants, decreasing the quality of dialogue. When strong specialized leaders each with a proven track record in his/her field constitute the leadership team, there may be too little dialogue and critical thinking among them, in particular, if they respect each other’s expertise and organizational turf too much and avoid to engage each other. Such expert managers may not develop a shared agenda integrating their respective policies. Expertise-based separate career tracks and promotion criteria amplify this problem.

Country governance is also subject to increasing media and public scrutiny, calling for clearer and more visible legitimacy of decisions. A more innovative use of resources is more difficult to justify, to measure, and to assess under the
media limelight, leading to a higher perception of risk – as compared to “more of the same” on the part of policy-makers. Their career, performance measurement, and incentives may have made them particularly risk-averse and sensitive to a narrow interpretation of laws and regulations. And making a visible error for the first time would bring higher personal costs than being right one more time brings benefits, thus encouraging inaction.

Differences among policy domains’ stakeholders also make policy integration difficult. Policy-making processes may differ. For example, environmental and sustainable development policies are usually shaped by international agreements, whereas innovation policies are usually national. Policy tools vary among policy domains. Subsidies are commonly used in innovation and industrial policy, whereas environmental policies often rely on fiscal incentives and regulation. Time frames across policy domains also differ. For instance, environmental policies have very long lead times, whereas cyber security policies have to be evaluated frequently due to fast technology evolution. Staffing may also differ, between domains where highly specialized competences are at a premium and domains where more generalist skills may be key. Last, the resources available to different public sector organizations (and other stakeholders) differ and may hamper joint actions: some have excess resources, others face tight constraints, and all cannot contribute equally. Finally, emotional apathy and complacency may become sources of rigidity when one takes pride in past success. It is hard to move away from a winning streak and start anew. This risk grows when future opportunities look less thrilling and more risky than past experiences.

In sum, a government’s capacity to handle new challenges is seriously constrained by these three sources of rigidity: strategic atrophy, resource imprisonment, and leadership divergence. In the next three sections, we review how to overcome the resulting rigidity, along the dimensions of strategic sensitivity, resource fluidity, and collective commitment.

**Fostering Strategic Sensitivity**

Strategic sensitivity requires early perception and recognition of emerging trends, a combination of foresight and insight, high-quality dialogue with internal and external key stakeholders, and an ability to frame strategic issues in a fresh and insightful way. Key factors that support strategic sensitivity are increased discrepancies between heightened ambition and the likely outcomes of current policies, sufficient cognitive diversity in inputs, and intensive communications.

**Heightened ambition.** Strategic sensitivity requires an ability to overcome complacency and routinized ways of thinking and acting (Schön 1973). Crises, or the mere reframing of performance against higher ambitions, often introduce contradictions that create a discrepancy in the minds of decision-makers between what is needed and what is achieved. The discrepancy encourages individuals and organizations to reflect on their current sensemaking and behavioral patterns and reframe their current situation and operating environment.

Ambition discrepancies can also be nourished by strategic intelligence activities – such as foresight work, strategic analysis research, scenario planning, evaluation, and benchmarking that identify and highlight the future inadequacy of current policies. The discrepancy between the current and the ideal or expected future state creates a cognitive contradiction that fosters new strategic insights. The strategic policy intelligence activities can be organized with various constellations of public, private, and third sector organizations, research institutions, and civil society stakeholders, in a spirit of inclusion and diversity.

Crisis are not the only sources of discrepancies that prepare minds for new insights. Leaders of an administration can create dissonance that motivates reframing. First, they can use stretch goals to make a gap between actual achievements and heightened ambitions more visible and question the effectiveness of prevailing practices and behaviors. Such ambition can be reinforced by public announcements where the political leaders commit themselves and their government to major change and build a wider coalition for change.
Second, beyond stretch goals, contradictory goals with multiple objectives that pull in different directions encourage civil servants to search for new creative solutions that go beyond routine responses, to think about and take into account multiple perspectives and priorities, and to transcend routinely accepted trade-offs.

Cognitive reframing can also be catalyzed through defining the core activities and goals of the organization more broadly and openly than just describing what it does today, in a more future-oriented strategic perspective with an emphasis on the needs it serves and the functions it fulfills. Doing so may also encourage a more open and insightful dialogue, and a wider more creative framing, focused on future needs and functions, allowing new courses of action to be identified.

Experimental activities contained at a local or subunit level can also enact new realities with limited risks (Sabel and Zeitlin 2012). Small-scale pilot projects or simulations provide low-risk opportunities for testing alternatives to the established operating models and mechanisms. If an experiment or simulation works in a better way than the established approach, the resulting contradiction can spark a critical reevaluation of current practices and prepare ground for further discussion and development of alternatives. Searching for existing “positive variance” (outlier pockets of excellent performance) provides similar value without the need to set up a new experiment. Unfortunately, the prevailing culture and incentives of public sector organizations seldom support experimentation. The development of more experiments in the public sector would require new incentives and strong leadership support.

**Input diversity.** Major strategic insights often originate from combination or collision of different types of knowledge. They require input diversity, i.e., contributions from experts with various knowledge, background, and fields of expertise. Shared cross-functional and interorganizational visioning, strategy, and foresight processes provide effective platforms for combining diverse inputs. These should not only involve the top leadership and policy specialists. Wider participation from different levels of the state administration and from all corners of society brings more diversity. Furthermore, modern communication technologies and social media allow the opening of the strategy process to the general public, which widens the government knowledge base to the “wisdom of crowds” and improves the public commitment to new strategies.

**Intense dialogues.** Combining diverse knowledge sets in an insightful way requires rich and sustained communication in a dialogue (Bohm 2004). However, developing and maintaining a high-quality dialogue face many challenges.

Organizational boundaries and practices may separate the experts with potentially synergistic knowledge. Functional or hierarchical divisions may be too strong for fruitful interaction. Separate premises may also prevent creative exchanges, particularly serendipitous meetings and conversations, while shared physical premises facilitate effective face-to-face communication to meld diverse knowledge.

The language of experts can become an obstacle to high-quality dialogue in two different ways. If they all use the same jargon, building on similar backgrounds and knowledge, phenomena not associated with the usual discourse perspectives and concepts can easily go unrecognized. On the other hand, experts with very different languages may not understand each other. Using a more universal, abstract, and concept-rich language that allows for abstraction and analysis can alleviate these problems. However, this should not sacrifice contextual detail and meaning. Finally, most decision-makers are tied up with daily operational tasks and have very little time to analyze complex strategic issues. Hence, successful governments have created spaces for thought, learning, and reflection to focus on the longer-term issues.

The integration of new knowledge into decision-making processes can also be supported by the use of internal analysts, consultants, or facilitators. They provide the necessary analyses of relevant systems and their causal interdependencies as well as shared concepts and new frameworks that support rich interpretations of strategic
questions. Some governments have set up specific strategy teams and units for this purpose.

**Enabling Public Sector Resource Fluidity**

High levels of strategic sensitivity and collective commitment do not mean much if key resources, such as capital and people, cannot be effectively reallocated to new challenges. Multiple priorities across constituencies make rigorous comparisons of social return for alternative activities or investments impossible. As a result, opportunities for beneficial resource reallocation are difficult to identify and defend analytically. The lack of clear value comparisons of the expected net benefits of alternative policies emphasizes the role of common priority-setting rules and shared ambition in resource allocation. Contextual interdependencies between policies, making their costs and benefits dependent on the complete policy mix implemented (where the “bundle” of policies brings more, or less, value than the sum of the policies it is comprised of), are even harder to assess, making it difficult to target multiple policies at complex problems effectively.

Even when resource reallocation opportunities with better aggregate public value can be identified, freeing public sector resources for new uses is not easy. Public sector hierarchies tend to jealously guard their “established” budget appropriations against alternative uses. Their management systems are usually designed for functional optimization of resource use, not for dynamic reallocation of resources among different functions or policy areas. The incentive systems of public organizations are often linked to performing specific activities and processes rather than achieving sustainable results. Governments may also have to face a strong reaction from specific interest groups if they attempt to make strategic changes that have major distributional effects.

**Flexible budgeting.** The key principle for flexible resource allocation is to dissociate the past performance of the organization’s various activities from resource control and future commitments. Put differently, budgetary allocations should be closely tied to the government’s strategic objectives and not hostage to “legacy” commitments. Furthermore, responsibility for resource use does not necessarily require resource control. Access trumps “ownership,” and programs may call on resources from multiple ministries, department, and agencies to be mobilized. A multidimensional organization with units cultivating and contributing skills and other resources, such as, for instance, the territorial infrastructure, to implement policy programs across their domains would provide more flexibility.

**Modular organization structures.** Rapid changes in organizational structures are difficult for traditional public hierarchies. Highly specialized, tightly integrated, and idiosyncratic management systems make organizational reconfigurations even more difficult and the development of new activities slow. Shared operating processes and similar subunit models and management systems obviously contribute to resource fluidity. Modular organizational solutions can also be easily replicated if needed. Shared resources are important for both cost efficiency and transparency, and they facilitate the redeployment of talent and funds to new uses.

**Shared information systems.** Data transparency and economies of scale in public services are highly dependent on shared IT/IS architectures and standards. Common nationwide architectures and standards across the public sector allow decentralized application and service development without the fragmentation and multiplication of systems so typical to public sector in most countries. This requires a nationwide high-powered CIO function with the necessary mandate to set the standards and oversee their localized implementation nationwide.

**Talent pool.** Open job markets, showing new position openings, coupled with individual career counseling, honest performance feedback, and long-term training opportunities can also improve the effective dynamic reallocation of human capital. Creating a cadre of senior leaders whose development is directly supervised by the leadership team not only provides a flexible source of managerial talent for new strategic needs but also
builds shared understanding and collaboration among senior civil servants.

Budgetary pool. A government may also keep a part of the public sector resources in a common pool used when new needs arise in different policy areas. This would reduce the path dependency in public sector budgeting by breaking the link between past activities and the allocation of new resources. A continuous planning process with appropriate strategic intelligence capabilities is needed to guide such “flexible” or “zero-based” budgeting.

Reallocation of responsibilities. Besides resources, organizational responsibilities can also be reallocated to improve resource utilization and break rigid “siloed” reporting relationships. The responsibilities of specific ministers and administrative units can be broadened or narrowed by reallocating tasks among them. The role of the more capable or productive organizations and units can grow over time relative to the poorly performing ones. In principle, such reallocation should not be very difficult in public services that typically involve low fixed assets. Greater resource fluidity, however, will only contribute to strategic agility if senior officials, politicians in power, and other influential stakeholders can agree on how to use the resources freed up from routine commitments and organizational imprisonment and commit to effective integrated actions. Short of such commitment, making resources more fluidly available would only lead to heightened rivalry and bureaucratic conflicts.

**Strengthening Collective Commitment**

Collective commitment to joint government action results from a deep cognitive and emotional sense of unity. Beyond principles and policies such as cabinet responsibility, this emerges from repeated successful collaboration around implementing integrated policies across different stakeholders. Efficient cooperation and coordination require that key decision-makers understand each other’s points of view.

**Mutual understanding and dialogue.** Mutual understanding and commitment result from high-quality dialogue. Such a dialogue is informal and continuous, and it does not try to avoid conflicts that reveal differences in underlying assumptions and cognitive frames. High-quality dialogue cannot develop without sufficiently overlapping areas of expertise, which can be created through programmed job rotation. Public sector leaders also need sufficient time and opportunities outside of meetings to get to know each other’s personal motives, values, and drivers in life.

**Shared agendas and incentives.** Beyond mutual understanding achieving collective commitment requires shared incentives, and a cross-departmental agenda focuses the leadership attention to common challenges, and wicked issues, instead of just subunit agendas. Governments can use various organizational mechanisms to act on that common agenda, for instance, assigning two different roles to each key official: one as a subunit leader and the other a wider cross-organizational responsibility, allowing the same person to shift frames between individual hierarchical and collective lateral perspectives. The goals and targets of various government subunits should also be transparent and fair. One way of achieving this is to have open discussions about each member’s targets in the cabinet and their fit into a wider, societal outcome-driven common agenda.

**The rotation of top management teams in civil service.** Among senior civil servants, holding the same position for too long often leads to declining dialogue and personal engagement. Hence, moving senior personnel between ministries within the government fosters collective commitment (as the evidence suggests, for instance, from Singapore and the Netherlands). New responsibilities give experienced leaders new challenges and force them to learn new skills and perspectives and to emphasize leadership and implementation skills over specialized substantive expertise. Such rotation occurs rarely among senior civil servants, in particular, in countries with multiparty coalition governments. The bipartisan political systems have more mobility at the higher levels of civil service due to sharper electoral majority changes.
Shared ambition. Shared ambitions and a concern for effective policy bundles allow the various decision-makers to make decentralized decisions with their best knowledge about local circumstances while, at the same time, knowing where the rest of the government is heading. The development of a common ambition benefits from involving participants from all groups contributing to and affected by the expected changes, including citizens and civil society non-governmental organizations. The active participation and contribution of all interested parties create the necessary acceptance and commitment to the decision outcomes, as well as the behavioral, organizational, and institutional changes required by them. Many reforms have been poorly implemented or have failed because they did not involve some important stakeholders in their development.

Discussion

In the postwar decades, strong economic growth and a relatively stable environment provided a fertile ground for organizational and institutional rigidities to grow in governments. First, governments adopted the hierarchical and divisionally structured governance model of large diversified business firms. This governance model emphasized top-down planning and performance measurement in addition to more traditional bureaucratic rules and regulations. Over time, however, the growth of welfare state functions led to increasing organizational specialization between ministries and between departments.

In the 1970s, stronger citizens’ expectations for more integrated and comprehensive government services beyond traditional sovereignty functions of state administration showed the inadequacy of hierarchical coordination for delivering such integrated services in a by then taken for granted increasingly all-encompassing welfare state. Specialized activities of a neither stable and uniform routine nor of a well-contained programmatic project nature, often also characterized by growing systemic complexity, such as health care, the prevention of delinquency or the fight against unemployment, or even the promotion of housing and urban redevelopment could not be integrated into the effective delivery of comprehensive services by separate delivery agencies and ministries. In sum, public administration hierarchies came to be recognized as too rigid to meet the demands of citizens and the complex challenges industrialized societies face. In this paper we have asked how did such rigidity arise and how problems related to this rigidity can be solved.

Large hierarchical public sector organizations and their planning logic performed well in the stable socioeconomic environment of the postwar decades in Europe, capitalizing on reconstruction, growth, and favorable demographics and building the welfare state. However, the need to react rapidly to change presents a major challenge to these organizations. This challenge is not new to public governance scholars. Lindblom (1959), for instance, noted long ago that real policy-making processes are characterized by incremental analysis and decision-making – or “muddling through” – rather than rational, comprehensive analysis and major policy reforms. However, the practical difficulties he noted in implementing the “rational-comprehensive” approach have not prevented policy-makers from holding it as an ideal upon which they base their policy-making processes. The development of decision-making theory within the policy sciences during the latter half of the twentieth century – and especially the contributions by March (1978), introducing the idea of garbage can model of making public policy decisions – paved way for new understanding of the nature of public policy decision-making, highlighting the nature of knowledge in decision-making process but also underlining the irrational aspects of decisions concerning public policies.

The growing interest in “evidence-based policy-making” (EBP) is an example of this conviction. Despite increasing amounts of data and analysis, EBPs have not been able to meet the challenge of enduring wicked problems or of the increasing complexity and uncertainty of the socioeconomic environment. Integrative efforts to create combined evidence by policy domain
or even wicked problem areas have generated greater insight. But in addition to new evidence (some of which might not be available anyway given how slowly the true and most important consequences of policies often unfold in complex contexts) and analysis, these governance challenges require new interpretative frames and theories from policy-makers. As important as gathering proper evidence is, EBP is at its best when applied to narrow policy questions in relatively stable policy fields. Although “muddling through” – sometimes referred also to the staggering of the drunkard – has often been more effective than hierarchical planning in dealing with complex policy problems, it faces its own weaknesses in a rapidly changing environment. The focus on incremental changes inherent to “muddling through” leads to path dependency and sub-optimization when major changes in a society or its environment call for comprehensive and more fundamental adjustments in policy directions. “Grand issues” are usually simply left off the agenda.

It seems that “muddling through” relies heavily on competing interests to point out the relevant information for decision-making. This increases the risks of incremental path dependency. Since entirely new issues and policy approaches and directions tend to have weak or nonexistent interest groups, the policy-making process is usually dominated by established interests and focused on salient immediate issues. Moreover, the day-to-day struggle and mutual adjustment of different political interests often exclude long-term issues from the political agenda. Thus, the incremental policy approach reinforces the tendency for short-sighted policy-making. Finally, a reactive focus on incremental “ills to be remedied” one by one does not produce a broader positive ambition that could coordinate and energize the decentralized change efforts of numerous interdependent actors. As a result, the various change efforts may lack sufficient motivation and drive to succeed, and the mutual adjustment of interdependent actors may not converge into any coherent and synergistic whole.

A new more integrated framework for coping with complexity and unpredictability and addressing the grand challenges of our time is hence needed.

**Conclusions**

The dynamism and complexity of the current challenges fundamentally question the policy processes and governance approaches of our current government policies and practice. Countries and regions that develop a coherent and well-functioning governance process for this new dynamic and integrated environment will most likely perform best in the upcoming decades. Conversely, governments that adjust their governance slowly or only in a piecemeal way are likely to face low productivity growth, poor economic performance, growing public debt, and social decline, which may ultimately lead to social unrest and political extremism.

Strategic agility sounds like an oxymoron and the idea of strategically agile governments as a utopia. Yet, a concerted holistic change effort deployed along the three key dimensions of strategic agility we outlined here is not beyond reach. Political leaders and top civil service should possess a mind-set of an architect, i.e., not being just a skillful and successful operator in today’s system, but a reflective reformist designing a more strategically agile system for years to come. Short of such reforms, today’s governance policies and practices may slide into irrelevance in the midst of growing economic, social, and environmental disturbances.

This paper sets out the following research agenda:

First, public sector reforms are a rather well-studied research topic in the academic public management literature. Despite this and in the light of this paper, there is a need to better understand the meaning of fostering strategic agility – empirically, and in the form of country case studies – in transformative reforms taking place in OECD countries throughout the globe. This research builds up on the contents and public sector reforms – bearing in mind that it is useful to build on upon the strengths of public sector institutions and organizations rather than running
reforms that tear down all existing public sector organizational structures. Second, further conceptual and theoretical attention to the adoption of a strategic agility approach is needed to understand the logic under what circumstances the need for more strategic agility emerges. Third, this paper’s analysis calls for more detailed cultivation of the strategic agility from the leadership and management perspective. The evidence of this paper suggests that the choices and practices in fostering strategic agility are complex and culture-bound and strongly anchored in existing organizational cultures.

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