

Encouraging the state steering system to adopt greater systems-based thinking

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The goal of the Steering2020 project is twofold. To provide a snapshot of current practice and new knowledge-based tools to understand both current steering practice within the Finnish government and future potentials. Systems-thinking facilitates our understanding of interdependencies and dynamic behaviours as well as the structures they generate. This enables us to outline where and how steering can better influence policy. The analysis is based on a literature review, interviews, and case studies, and seeks to provide input into further discussion and analysis regarding the prevailing preconditions and mechanisms, when transitioning towards a more systems-based approach to government.

Introduction

Preliminary analysis is promising in that it shows signs of systems thinking. The keys to a more phenomenon-based and systems-driven management practice already exist, but the development traits are clearly still in their infancy. Our hypothesis is that systems thinking enhances the opportunities for steering and guidance to be deployed successfully in a complex world. Our theoretical basis and research questions in regards to this dynamic are based on a model generated by complexity theory (Uusikylä et al. 2020). As described in the first Policy Brief compiled by the University of Vaasa as part of the Steering2020 project(see working package 1), the operating environment of our society and administration is more unpredictable and changeable in nature, self-organising, self-evolving and emergent in nature (leading to the generation of outcomes that are difficult to foresee). As such, we are only just beginning to identify the most appropriate tools, methods and intervention mechanisms for any given time or purpose. The subsequent work steps of this project, such as the analysis of international examples of future governance mechanisms and the introduction of an evaluation framework, will shed further light on these processes.

From input-output models to network-based emergent models

In the 1990s, New Public Management ushered in a period of administrative development, with Finland creating control systems for each administrative sector; 'letting managers manage'. By the turn of the 21st century, coordination across government departments and sectors emerged as a greater concern. Finnish public administration in the 2020s, is increasingly characterised by role diversification justified by a demand for effectiveness and impact, as well as improvements in the conditions for cooperation, interaction and network management. Alongside previous governance concerns such as efficiency, economy, expertise and rapid decision-making, networking, dialogue and engagement have also now emerged. From the point of view of meta-management (i.e. the definition of common rules of the game, *the governance of governance*), the state administration is increasingly seen to be not only a legislator, performance controller or enforcer, but also a game builder, enabler or co-designer, working in close cooperation with its various stakeholder networks.

Systems-based thinking permeates public sector rationalities, goals, policies, and processes. At the organisational and individual levels, it is reflected in interaction, competence requirements, perceptions of effectiveness and the definition of measures. The case studies we have analysed each show features of systems thinking, initiating new types of policy goals and change efforts requiring dialogue and networking across cross-sectoral boundaries. The voice of those impacted by these policy interventions and measures has also become more prominent, as the emphasis placed on engagement has been strengthened and a more prominent role given to the policy recipients (be they individuals, public organisations or private sector companies).

From reactive to proactive operational steering

As described in the University of Vaasa's literature review (Vartiainen et al. 2020), alongside operational steering mechanisms (such as norms, strategies, performance management and control over resources), an initiative structure is emerging in which different levels of society rely on voluntary, self-organising and informal activities, viewed as being better in tune with the challenges posed by complexity and wicked problems, based on the development of new knowledge, new skills and new habits. Although features of both systems are affected at the same time, proactive guidance requires organisations to have additional skills and abilities, related in particular to the nature of leadership within organisations and the leadership characteristics required. Transitions between paradigms and the main paradigmatic assumptions about the system are however neither clear-cut nor mutually exclusive. A new kind of paradigm based on more anticipatory governance and interactive guidance, built through complexity, inclusion and networking which can also be more proactive and adaptable to changes in the operating environment. We have used this as a heuristic to tease out the various implications in respect of governance shift, while using the term *anticipatory governance*.

The key characteristics and challenges of steering

The steering methods and systems themselves have become decentralised, more polycentric and networked. The most important elements of change are self-direction and interdependence characterising cooperation between actors. The various strata of governance and government nevertheless maintain the mainly hierarchical characteristics of the steering system. The consensus assumption and the re-emergence of populism challenge this trend towards renewal.

One would do well to remember that in our review of history, some of the changes in governance and in the narratives associated with governance reform predate the era of systems thinking and phenomenon-orientation. In this case, the systems-driven features can only be seen to represent embryonic developments with the emerging features of systems-based thinking identified within them viewed more as ex-post observations of the analysis than as intentional steps presupposing a cultural shift.

Case: Reform Project for State Regional Administration (ALKU)

Basic information: Reorganisation of the tasks of the state regional administration into two new authorities (ELY and AVI), which brought together the tasks of the state regional administration, reorganisation of the 6 state authorities (county governments, employment and economic development Centres, as well as regional environmental Centres)

Enablers of reform: Strong political guidance (reform included in Matti Vanhanen's II government programme (2007-2010), clear time frame, strong, even detailed guidance. Extensive preparatory organisation: steering group and study group with about 30 members, more than 40 working groups (including sub-groups), several hundred people in the preparatory national working groups representing different organisations from the state administration.

Obstacles to the reform: Divergence in the guidance objectives of the ministries. Although breaking the administrative silos was among the original goals, the silos were nevertheless replicated in the new organisations. At the same time, the organisational reform of the ministries responsible for the reform also occurred (SM / VM / TEM).

Factors weakening and strengthening systems characteristics in steering: The driving forces and effectiveness logic of control were not clear and despite the abundant data production and diverse support structure, the big picture was not understood while consensus on leverage and the means to implement control was also lacking. The changes caused uncertainty among the personnel both in terms of their own position and the adequacy of their skills.

Challenges to systems-based steering primarily entail the difficulty of helping new practices take root. Steering and control systems reform can be implemented in a top-down fashion, but if, at the implementation level, they are not mainstreamed, they will remain detached and sporadic. Old structures, steering habits and practices form the basic sedimented structure onto which reforms are superimposed making it difficult to achieve genuine change in these structures. The desire for organisational reform is strong, but such reforms often fail to change the systems level or the steering culture.

The functioning of any steering system in a complex society is challenged by many factors that can be categorised as management or structural challenges. Management challenges are related to personnel policy, the management of reforms, of 'setting the tone' and influencing the 'mood'. HR policies may be able to build on the inspirational power of reform, but seldom manage to result in clear cut incentives for reform. The mentality often still tends to be one of 'not making waves, not causing a fuss'. Strengthening the innate commitment and willingness to reform is one of the means of human resources policy to strengthen the root of administrative reform. Structural challenges have included the rapid cyclicity of policy-making and, the insufficient coordination between administrations, resulting in less than optimal policy coherence, as indicated for instance in the OECD's country reviews.

The case studies have been analysed on the basis of the key features of systems-thinking and systems-orientation, utilising the concept and complex adaptive system (CAS), as described in the literature review and further developed by Uusikylä and colleagues. The ability to rise to the challenge of reforming the steering system in a more systems-oriented fashion is made possible by a number of enabling factors. These factors largely mirror those identified in respect of barriers or obstacles. The fact that the enabling and challenging factors represent two sides of the coin also implies that the key to reforming the governance system lie in our hands if we know how to use them properly.

The case studies summarised according to their main systems characteristics

THE SYSTEMS ELEMENTS AND THE KEY QUESTIONS	ALKU (2009-2010)	DIGITALISATION PROJECT (2015-2019)	SITUATION CENTRE (2017-2019)
Emergence: How to promote a desired future where the whole is more and better than the sum of its parts?	Political vs. technocratic objectives, efficiency and productivity gains vs. horizontality and promotion of democracy. Strong political steering and control.	Improving the efficiency of public services through digitalisation, emphasising customer orientation. Strong political mandate.	The need for strong and clear leadership has been identified. Concrete and clear goals and the design of the operating model as rhythms of operations and enablers of cooperation.
Self-evolving features of the system ('self-organisation'): How is information that upsets the balance of the system regulated and how is that information curated into new creative meanings?	Trust and a well-trained civil service ensuring effective implementation. Strong focus on monitoring and evidence for decision-making, but at the same time divergent views and assessments on actual utilisation of such data, e.g. whether one has measured (or should measure) the internal or external, or quantitative or qualitative elements of reform ('what the reform looks like', 'feels like', as opposed to the quantitative indicators, measured mainly in person years)	Trust, strengthening the mandate for joint action. New common meeting and decision-making spaces, a key role for the ministerial working group.	Consciously building trust by increasing the use of shared time. A real-time snapshot reported by the provincial and social reform preparers to the Situation Centre, which coordinates the activities of the networks and, together with the Academy for Change Management, supported the work of the networks through training.
Mutually evolving features of the components of the phenomenon ('co-evolution'): How to identify what kind of path dependencies result from the choices made at the nodes?	The multigenerational nature of the preparation (e.g., many thematic working groups and sub-groups), but path dependencies and group interdependencies are difficult to comprehend.	Shift in focus from digitalisation as a goal in itself to digitalisation as an instrument towards achieving other goals	The reform taught the importance of perceiving the big picture. At a later stage, a strategic situation Centre was set up, which intensified cooperation.
Feedback processes: How do you combine change-accelerating feedback with change-limiting feedback?	Feedback from staff was collected, but its use is unclear. The narrative of the productivity programme began to be seen as a staff reduction project, which created mistrust.	The political backbone of the reform is a strong mandate for implementation. Project ideas were collected extensively. The unifying process is an open process and a shared goal.	Feedback in itself is important and trust-building. Feedback was collected from participants in the coaching and workshops, and the feedback was taken into account, for example, in the formulation of the content of change support
Diversity: How does diversity support adaptation to changes in the business environment and ensure that findings are translated into enforceable decisions?	The risk of "political oversteer", the overemphasis on productivity rhetoric, systemic diversity was sought in order to be included in the multifaceted structure of working groups and sub-groups, but the ultimate significance of the structure is unclear.	Transparency in project applications and calls, project sparring, and access to repair shops supported diversity.	The change in administrative doctrines and the desire to change guidance were particularly evident in the idea of co-operation between 8 ministries in the provinces. The situation Centre model developed into a support structure for the preparation of large horizontal projects.

Consolidators: Which actors / institutions are the enablers of change in terms of systems-level change?	Positive success in integrating support services, overemphasis of the person- year perspective as a barrier. At the design stage, the personnel perspective was underestimated (6 000 people as powerful promoters or alternatively agent resisting change).	The coordination of the officials responsible for the key projects for which the Ministry of Finance is responsible, together with the political support, project leaders. Slow pace of rooting changes in public administration remains a challenge.	Ministerial silos persist. In future, the situation centre conmodel should be introduced at an earlier stage in the legislative process. Personnel play a major role in bringing about change.
Non-linear factors: What kinds of discontinuities can be identified?	Some of the objectives remained theoretical (especially the democratic dimension of the provinces).	The gradual loss of cross-funding and horizontal focus after funding is dispersed.	The distance between objectives and the practical implementation, with the situation centre shifting from a physical working environment to a virtual one.
Attractors: What structures and behaviours drive change? What is the current state of the reform process?	Inconsistency of the original ('branded') goals and technocratic implementation.	Shared goals, few politically divisive issues on the agenda. Strong linkages between the reform project and day-to-day steering and governance.	Clarity of management structures. The situation Centre's relationship with line organisations is unclear in some places.

The narrative of increasing efficiency and productivity growth marked the dominant discourse and narrative of the governance system in the early 2000s in particular. Clear echoes of this approach nevertheless remain in the current reform narratives.

Case: Digitalisation as the Sipilä government's key project

Basic information: One of the key projects of the Sipilä government programme (2015-2019), stated "A purposeful management model has been used to develop user-oriented, one-stop digital public services that increase productivity and efficiency." Budget 100 million EUR, 16 funded flagship projects.

Enablers of reform: Cooperation (cross-government), openness, interaction, agility (Sipilä government's policies, Policy + Politics, political support pushed forward), broad acceptability of the goal in theory (no political dividing lines).

Obstacles of the reform: Extent of public administration, blurring of responsibilities, systems thinking hampered by ministries' struggle for funding, goal of customer orientation (e.g. one-stop-shop principle) not fully achieved, investment thinking not rooted

Factors weakening and strengthening the systems focus of governance: Digitisation of public administration as a shared goal. In addition to maximising returns, social impact was sought, which required strong guidance. Self-steering was strengthened through project funding.

Finland's traditional success story of good governance, low hierarchy and equality of opportunity, based on trust still remain important, but it is no longer enough as society's problems become more complex. For example, the climate crisis and, most recently, the societal emergency caused by Covid19 highlighted society's continuing silos, constraints on governance and the need for systems-driven leadership.

Case: Situation centre

Basic information: A shared working space and virtual hub for the joint preparation of the Government, to which all the ministries involved in the reform, the state regional administration, service Centres, the Academy for Change Management and representatives of the Association of Finnish Municipalities and the RK had been invited. Three levels can be identified:

1. Strategic Situation Centre
2. Operational Situation Centre
3. Regular weekly meeting of the situation Centre

Enablers of reform: Top management support and a strong management grip. A common goal crystallised in the work plan. The operating model was concretely designed. Trust was of great importance. A common snapshot and knowledge base were also important enablers.

Obstacles of reform: Lack of a common ministerial agenda, silo and trust-based issues. The responsibilities and tasks of the line organisations and the situation Centre were unclear in places.

Factors weakening and strengthening the systems focus of governance: The silos of the state administration had an impact in the background and could not be genuinely overcome. The collapse of the reform made this visible. Sufficient time working together strengthened the potential for a more systems-driven working culture.

The culture of cross-sectoral collaboration and closer interaction across departmental lines has both increased in quantity and improved in qualitative terms. Creating a dialogue and recognising interdependence fuels cooperation and the pursuit of common goals. For example, the legislation uses multi-member preparatory bodies, whose entries are commented on through rounds of opinions.

Management processes and the clarity of management structures, the continuity of collecting, giving and receiving feedback empower employees. The horizontal processes of knowledge management strengthen the functioning of enabling and empowering governance. Enabling factors are linked to the story of public administration relating to fairness, equality and trust but reworded and re-framed.

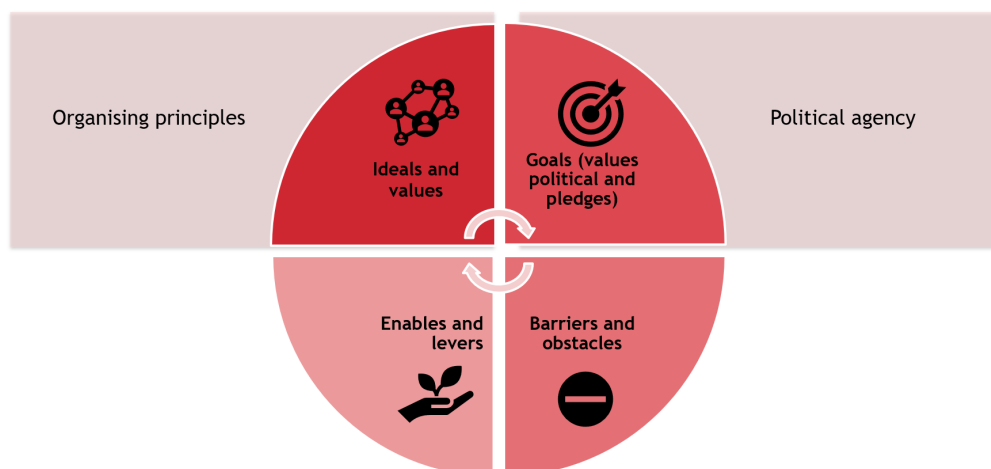
The challenge of the control knowledge base is the diversity of the information and the fact that sometimes the measurement can become independent. For example, does the collected monitoring data describe the essential features of the phenomenon being monitored? This perspective emerged both during the Reform Project for State Regional Administration (ALKU) project and in regards to the situation centre example.

Towards a more anticipatory governance model?

Anticipatory governance has multiple meanings. In some interpretations, it refers to planning, implementing and promoting public administration and public policy with a strong future focus in mind, using methods of foresight and other futures work, participatory network management tools and models and the full range of public management tools and methods. In our review, proactive management is one of the answers to the need for sufficient diversity and suitability. It provides a pragmatic way to design policy in a way that uses the full range of steering tools and resources available and does so in the most efficient, effective and collaborative way possible.

In the field of public governance and the development of governance mechanisms and practice, among the government official and experts we have spoken to, a strong consensus exists for reforming the paradigms and transitions in a systems-based direction. Transition from traditional governance and a more diverse range of governance tools (including information and network governance) and policy guidance tools (e.g. experimental development, innovative procurement, use of artificial intelligence and new digital tools) is seen as necessary, particularly when faced with today's policy challenges, be it climate change, circular economy or social inclusion etc. Similarly, the different dimensions of multilevel governance (MLG) affecting governance are seen as essential drivers and at the same time tensions as the system

adapts to new operating environment conditions (e.g. the relationship between centralisation and decentralisation, the central role of local government and the impact of EU regulation).



Adapted from OECD / Observatory of Public Sector Innovation (2019): Anticipatory governance, <https://oecd-opsi.org/projects/anticipatory/>

Figure 1 Conceptual map of anticipatory governance, first draft

While this view on the need for reform is widely shared, it is more difficult for the key actors we interviewed to outline very simple ways to dismantle the old guidance system. The biggest pressures for change are seen in traditional performance and budget management. Performance management has received less attention in our review, because at the same time a VN TEAS project dealing specifically with this theme is being implemented.

Knowledge, information management, and evidence-based decision-making are seen as key enablers at the heart of new governance and proactive governance. From the perspective of our interviewees, the situation seems contradictory: while policy design and implementation are affected by strong demand for informed guidance and research and monitoring data justify an increasing share of decision-making, the irrationality of social debate is striking. While new governance mechanisms and methods are needed as a new generation of political actors wants to justify decisions with verified and up-to-date information, the picture is fragmented and diverse perspectives often do not meet. The problem of knowledge matching is clear: guidance follow-up information and the justifications sought through it are insufficient, technical tools do not meet their required needs and often time pressure and fear of losing face and other cultural factors do not provide sufficient opportunities for human interaction and common interpretations or learning from failures. The myth of the infallibility of political culture is also influential: despite the abundance of information, it is often political suicide to change one's mind as the knowledge or evidence base changes.

The time perspective of management is a major challenge for anticipatory governance. The traditional budget year does not seem particularly well suited to many issues on the current policy agenda (from social exclusion to climate change), while it seems equally ill-suited to many issues that require constant monitoring and agile intervention (e.g. the Marin government's pledges to citizens on reforming decision-making). The evidence base and the processes therein seem therefore to require more variation and more (real-time) situational awareness.

The customer and citizen perspective may have suffered from inflation, with much lip service paid to the need to pay greater attention to the user perspective, but without sufficient action to back up the promises. Alongside it, the themes of local perspective and inclusion, as well as empowerment, have been raised as an enriching and diversifying factor.

In the Finnish government context, in relation to steering, tension clearly exists between the centralised and decentralised characteristics of the system. Municipal self-government, decentralisation and local level diversity do not always mesh well with the uniformity and perceived coherence of state governance. However, such tensions may also create new and constructive currents and counter-currents, better in tune with the agency of cities and municipalities, as well as the active role of civil society in the field of anticipatory governance, giving rise to new initiatives (e.g. experimental governance, citizens' initiatives, urban activism or forms of deliberative democracy).

Our case study examples highlight characteristics as well as operational or formal control mechanisms (such as norm, strategy or resource control), proactive system (multi-level guidance based on voluntary, self-directed and informal control) and complexity (enabling).

Results and conclusions

- The keys to creating a more systems-driven and anticipatory steering approach already exist, but successfully putting them into practice in concrete day-to-day work and implementation remains elusive.
- The systems-thinking challenge is widely acknowledged, but the tools to address it are not mainstream and have not yet been fully exploited in key governance processes (especially budgeting or legislative preparation).
- Initiatives to strengthen cross-government and longer-term goal-setting can be seen, both in structural reforms, in the political agenda, i.e. in the government programme, and in the daily life of civil servants but, as yet, there are no general mechanisms to promote systems thinking across the organisations concerned. Elements of systems thinking and characteristics of a new kind of operational culture can be identified, but change-making remains largely on the level of individual change agents. Promoting change remains overly dependent on individuals. As such, the institutional support to bring systemic thinking to the executive level is lacking.
- Systems-based interventions (in their most simple form, measures based on the identification of a clear goal of change and which impact thinking to support achieving it) are still in their infancy, yet already identifiable (Agenda2030 is a good example), as well as the proliferation of effectiveness or mission-based thinking (e.g. social impact investments undertaken by the Ministry of Employment and the Economy).
- In terms of designing instruments and choosing between methods, our working hypothesis is that the degree of experimentation required is dependent on the degree of systems characteristics of the policy objective: the more systems-driven the goal, the more experimentation is required to promote it.
- To understand the dynamics of change, it is important to identify the drivers of change in the nodes found between the transition points from one paradigm to another.
- In steering and guidance practice, increasing emphasis is placed on shared knowledge and on the understanding and framing of the situations and steering conundrums involved. Concrete tools and methods for such intelligence gathering tasks are however still insufficient, though much work has already been done during the Covid-19 crisis.

Further reading

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