

Executive summary

A need for more strategic and responsive government

Today’s complex economic and societal challenges, accelerating technological change and instant communication are forcing governments to adapt. The traditional structures, methods and even roles of the state are no longer sufficient for tackling complicated problems that cross sectoral and national boundaries. Citizens are also demanding a greater say in public policies and services, and expect them to meet their individual needs quickly and efficiently. At the same time, trust in government – and in institutions in general – has declined in many countries, making it even more difficult for the state to carry out needed reforms. Governments therefore need to become more strategic and agile, to identify looming challenges and adjust quickly.

Strategic agility: a framework for reform

The concept of “strategic agility”, borrowed from the private sector, can be a useful framework for reforming public sector organisations to “think” and act differently and to better prepare for the future. Strategic agility has three main dimensions: *strategic sensitivity*, or the ability of institutions to anticipate continuously evolving trends and spot new opportunities as they emerge; *resource fluidity*, or the ability to redeploy and reallocate resources across institutions to where they are most needed; and *leadership unity*, or the ability to make collective commitments, including aligning institutions and their behaviour and engaging with the public.

Of course, the public sector is not the private sector, and has certain features that must be taken into account when applying strategic agility. These include politics; the heterogeneous, networked nature of large public sector organizations; the institutional context, rules and procedures; the need to manage multiple risks, including some from the private sector; and, finally, the fact that governments are ultimately accountable to the public, and require support from both within the public sector and the broader citizenry.

Tools for applying strategic agility to the public sector

Governments have several “tools” they can use to introduce greater flexibility and responsiveness: the budget, human resources, and information and communication technologies (ICT).

The overall trend in recent years has been to decentralize **budgets** and give more freedom to line ministries in managing their resources; this can create “information gaps” that may hinder resource flexibility for the government as a whole. The 2008 financial crisis created a need for urgent action on fiscal consolidation in many countries, leading governments to re-centralise or fast-track, at least temporarily, some budgetary decisions. Most OECD countries have also taken this opportunity to make changes to their institutional frameworks for budgeting in order to improve budget discipline or strengthen central tools management of the budget. While top-down budgeting may improve budget discipline, it can also reinforce budget “silos”, and so other mechanisms are needed to allow governments more flexibility to prioritise and reallocate spending. Examples of these include spending reviews, performance budgeting and automatic cuts of productivity dividends.

Resource flexibility is also about ensuring that the right **human resources** can be acquired, developed, and deployed in line with shifting priorities. Recent reforms to downsize the public service workforce, coupled with constant pressures to contain costs and increase value for money, are leading countries to strive for leaner, more strategic public services. At the same time, it is important to ensure that downsizing does not unduly compromise the quality of public services. Some of the tools and strategies that countries have been using to make the public sector more agile include strategic workforce planning, skills and competency management, promoting greater mobility in the public service, targeted recruitment and hiring, using performance management and compensation as incentives, fostering diversity, and changing the public service culture.

Information and communication technologies (ICT) provide powerful tools to help governments achieve strategic agility. By better connecting the different parts of the public sector, they can support both resource flexibility and leadership unity. They can help the government adjust to changing demands and pressures, and even inspire new approaches to government functions or services -- through the use of cloud computing, mobile-based services and social media, for example. Technology can help increase collaboration both within government and with external partners to improve results. Finally, ICTs in used in conjunction with open government data can help government become more open, responsive and connected – which should lead, ultimately, to better overall public sector outcomes. However, certain challenges need to be overcome in order to realise the huge potential offered by new technologies. Organisational culture needs to change to encourage experimentation, innovation and collaboration across administrative boundaries. Rules and regulations may have to be adjusted, for example

to allow public sector agencies the flexibility to interact with outside service providers. Training and recruitment policies should be adapted to meet the need for new skills. Balancing privacy concerns with the potential advantages of data-sharing can be difficult. Finally, governments must ensure that the benefits are shared by all of society by eliminating and preventing “digital divides”.

Countries thus have a great deal of scope and a wide range of tools for transforming the public sector. However, to make these reforms successful and sustainable, governments need to strengthen co-ordination, build trust and support, be open and transparent, and engage citizens, businesses and civil society. Performance information and evaluation, including government audit, is also important for ensuring adequate accountability and control.

Conclusion

Governments recognize that they need to become more strategically sensitive to emerging issues, in order to adapt or respond quickly and effectively. To achieve this agility, they also need to better align government policies and activities to overall objectives and the public interest, and to be able to reallocate human and financial resources to emerging policy needs. New approaches to budget and human resources can help bring about such change, and ICTs have the potential to radically transform the way government works and interacts with citizens. But such reform is not easy, and will require political will, effective leadership and clear communication to overcome inevitable resistance and inertia. Sharing ideas among countries on what works, what does not, and what conditions need to be in place to ensure success can help governments choose the most promising path to strategic agility.



From:
Achieving Public Sector Agility at Times of Fiscal Consolidation

Access the complete publication at:
<https://doi.org/10.1787/9789264206267-en>

Please cite this chapter as:

OECD (2015), "Executive summary", in *Achieving Public Sector Agility at Times of Fiscal Consolidation*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264206267-2-en>

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