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The Learning Government

by
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1. Introduction

The question is “how do governments identify important changes in their environment affecting the result of their policies and actions and develop capacity to make appropriate and timely adjustments in public policy and services?”.

The short answer is “with great difficulty, although competent governments do so on some of the issues some of the time”.

Successful dynamic adaptive behaviour in government involves virtually every significant feature of the system of government in some way. It is about how the rationality of policy analysis and public management comes together with the rationality of politics. It is about creating an environment which has good governance and good management. It involves resolution of disputes among competing views of the public interest or simply among competing private interests. It involves the effectiveness of the relationships between the government’s constituents and the institutions and policies of government. At the deepest level it is about effective democracy and how in any country a sequence of governments over time choose to exercise their constitutional authorities and whether they do this effectively in some wider sense of serving the best interests of their citizens in a system of democratic accountability.

In the realm of the techniques of public sector management, governments can improve their dynamic performance over time through better formulation of their programmes at the strategic level while linking this to advanced systems for producing outputs and achieving desired outcomes efficiently and effectively. This involves advanced capabilities, systems, institutions, culture and practices in strategic management and a workable system of managing for results that is budget-linked at the operational level. Important aspects entail advanced systems of policy analysis, knowledge management, research and evaluation. In simple terms these are all needed so that governments can ensure at any time that they are not only doing things right but are also doing the right things.

The topic is potentially huge and could be addressed from a number of perspectives. This paper sets the perspective in terms of the challenges created by the increasing variety of sources of knowledge and the tools available to governments to best incorporate this new knowledge. It also

places the knowledge management issues within a context of continuous adaptation to the results of evaluation and assessment of policies and actions. This casts a perspective that is very much focused on the creation and use of knowledge.

My perspective on evidence-based learning and continuous adaptation is a little different from what others have written. I share the view that more attention should be given to the development, preservation and use of knowledge in government. I also agree that the concept of organisational learning is insightful as it emphasises features of management that are important for successful dynamic performance. However, in my reading of the work of Senge,¹ for example, the proponents of organisational learning are assuming implicitly that there are already in place well-functioning management systems that are a prerequisite for advanced organisational learning capability. I doubt that this is true right across all OECD member countries, and it is certainly not true in many governments around the world. Hence I see the need for the practices of organisational learning to enhance and modify the existing and diverse agendas of public management reform within the OECD rather than replace them.

Smart governments must encompass a wide range of issues in public management that include the focus on knowledge and evidence but go beyond this to encompass many other public sector management issues. The way in which a government adapts itself successfully to changes in its political agenda and its environment is about the totality of its political agenda, its policies and the management of public organisations within a system of democratic accountability.

I will touch on only a few issues, and the issues of strategic management and managing for results seem most relevant. If in time these aspects of management can all be folded into a general approach to management by way of organisational learning, then well and good – but we are not there yet. According to Senge, the best-known proponent of organisational learning, the main building blocks are systems thinking, personal mastery, mental models, shared visions and team learning.² The perspective is refreshing but the practical substance is also consistent with other perspectives on public sector management development.

I shall summarise how governments can perform better through dynamic adaptation. My views will draw from my book on public management.³ To anticipate my conclusions: being a learning government requires that basic policy and management systems are already working satisfactorily. These include excellence in the areas of:

- governance and accountability arrangements;
- cabinet decision-making;

- human resources;
- policy analysis and advice;
- performance management;
- budgeting;
- monitoring and reporting;
- evaluation.

The dynamic performance of government can be likened to flying an airplane, which cannot be done if the component parts are unreliable. Dynamic performance is about the alignment of the systems and culture to support the government's ability to adapt to changing circumstances. This concept of alignment is often discussed in the context of strategic management.

2. Strategic management and organisational learning

Strategic management involves a repositioning of an organisation within its environment. It is ambiguous, complex, organisation-wide, fundamental and long-term and commonly requires transformational changes that often stress an organisation and push it outside its comfort zones. Operational management by comparison is routine, specific and short-term in focus.

The basic scheme of strategic management involves:

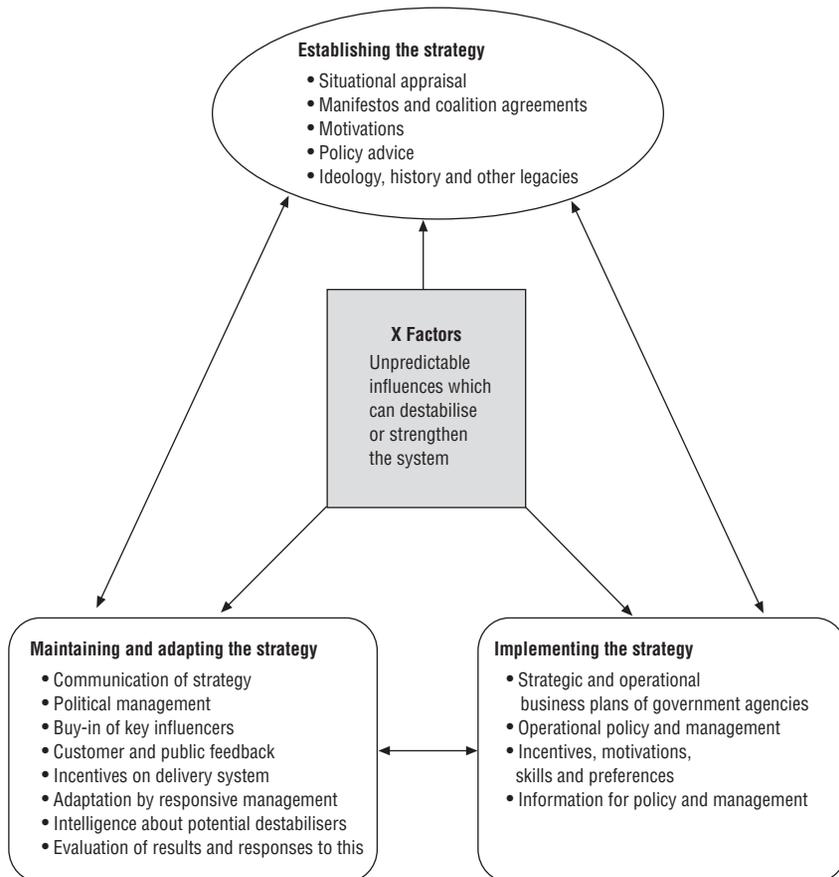
- strategic analysis;
- strategic choice;
- implementation of strategy;
- evaluation and feedback.

Each of these elements in both concept and in practical application involves and is enhanced by concepts and practices of organisational learning.

Strategic management requires a balance of central and local initiative and control that is hard to achieve in the complex situation of a government. Formal and informal processes are needed in order to get both the hard and soft sides of management entwined in successful strategic management. Transformational change usually requires strong culture, values, and emphasis on communication and leadership, and it always needs persistence. There also must be vigorous and open communication, both vertical and lateral, and less hierarchical decision-making about details.

Figure 1 shows how strategic and operational functions should relate in a complex organisation. The headings suggest the strong influences from three aggregate functions: i) establishing strategy; ii) implementing it; and iii) maintaining and adapting it. Below each heading are lists of some of the factors that are needed to support the aggregate function in question. The

Figure 1. **Strategy in action: Relationship between strategic and operational functions in a complex organisation**



arrows represent information flows and interactions between parties within established roles and processes of management and decision-making. The responsiveness of each main function to unpredictable influences captures the notion that the system as a whole adapts to change in a diffused way rather than by central co-ordination. The emphasis on information flows that pass in all directions symbolises the underlying characteristics of a strategic or purposeful network of actors bound by hard and soft aspects of the total managerial environment.

3. Dynamic adaptability through strategic alignment

The term “strategic alignment” tries to capture what is necessary for a government as a whole to learn and adapt successfully over time. Disparate components of the government’s management system and the way they function and interact must be aligned to the higher level strategic intentions of the government. This is critical to its capability to act promptly and purposefully to seize opportunities, respond to changing environments, and identify and manage large-scale risks.

This is about integrating the cycles of policy, planning, implementing and review within government organisations at all levels so that the performance of the components serves the performance of the whole like the cogs in a gear box. This is about how the public management systems and culture can be brought together with evolving but stable and coherent policy frameworks to drive up performance across the government over time through learning by doing and by experimenting. It is a practical manifestation of the concept of a learning government.

This cannot be done by central control but through a complex evolving network of reflections and actions. The organisation operates as a network and the centre does not block the activities of the operating units. Achieving strategic alignment requires units within the organisation to plan and manage within the envelope of strategic intent and decisions already being developed for the organisation as a whole by higher levels of management. Operational priorities and the allocation of resources and investments in capacity development should all reflect and support the overall strategic direction. The process should go much wider than the government itself and engage with other public and private organisations and with citizens who are affected by the policies at several levels through the layers in Figure 1.

Some characteristics of strategic alignment are:

- Focus on the future: The resources and activities needed to implement plans for the future are protected from being diverted to current production or cut back to meet short-term budget constraints.
- Collaboration: Organisational boundaries become more permeable and fluid. Cross-functional and cross-organisational teams become a common way of working.
- Information flows in all directions: Ideas and proposals flow up and across the whole organisation and not only from the top down.
- Focus on the results – of individual organisations and on the results across the government. There is less of the territorial behaviour and defensiveness of traditional bureaucratic organisations.

Strategic alignment within and across all the component organisations will always be incomplete, however, because no government has a systematic and coherent view across all policy areas and it lives with the history of previous governments. It can, however, have such a view across the main priorities on its agenda.

4. Requirements for better strategic performance by governments

For a sequence of governments in any country to consistently show superior results in terms of taking advantage of changing circumstances, managing risks and avoiding crises requires that a lot of features of its public management system work very well. I will highlight a few items, which in my experience are important.

4.1. The relationship between politicians and professionals

Gaining alignment across the constitutional divide between politicians and professional managers and advisers is a challenge that is peculiar to governments and especially those which have a permanent professional public service that must serve a sequence of politicians from different parties.

Testing the quality of a government's policy proposals is part of the responsibilities of officials even though they must implement diligently whatever is ultimately decided. Forward-looking advice, which identifies risks and opportunities and seeks to promote change, will always be controversial. Ministries and their chief executives will inevitably be heavily criticised by those who disagree with the advice. While such advice should be well crafted and carefully presented it also needs to be forthright and, at times, fearless. Governments are typically resistant to policy advice and evaluations where they are likely to reflect badly on government policy. Traditions and expectations are needed that accept and promote continuing examination of the effectiveness of policy if there is too much hope of successful adaptation of policy over time. More typically the adaptations occur when governments are replaced.

Government strategic goals often run across organisational boundaries and do not lie under the sole control of one minister. The implication, therefore, is that they should be associated with a quite complex dialogue between several ministers and their professional advisers. Their effective development, therefore, requires a good deal of subtlety in managing the fundamental separation of roles.

4.2. Policy coherence and political sustainability

A degree of incoherence in policy terms is inherent in democratic government. The contradictory manifesto promises, personalities, passions,

competing agendas and power bases can easily produce inconsistent priorities and conflicting interventions. No management system will wash this away.

Masters of the political process, ministers also need to master the skills of policy analysis and formulation, or at least how to organise others to do it for them. Short-term political judgements made in isolation from coherent medium-term policy frameworks are never a formula for good policy and rarely a formula for political sustainability. While a government's objectives and its agenda for change emerge from the political process and set the parameters and agenda of policy analysis, they are not a substitute for that analysis. The implications of policy proposals and the consistency between policies need to be thoroughly considered. As a result, the policy proposals may be modified. A durable policy framework must nevertheless rest on an equally durable political strategy. Political parties should also be more open and disciplined in their policy development than is commonly the case.

4.3. Policy advice

If good strategic thinking is to occur across the networks of government, then so also must the supporting policy analysis. Detailed policies must be harmonised with larger policy frameworks.

The government must be able to rely on strategic thinking within the organisations of government, even though any government will draw on thinking beyond its own institutions. It is imperative that government organisations have the capability to think broadly and deeply about their future directions, and those of others they relate to, against a wider perspective of the major influences in the environment and where the government is headed. They need to do this in a way that rests on professional analysis of the highest calibre.

This raises the issue of whether to concentrate or disperse the resources devoted to deep thinking about policy issues. In my view it is imperative that Finance Ministries or their equivalent and a small number of overarching policy ministries should have this capability, as well as policy institutes, think tanks of various kinds and academics. Good strategic policy is likely to emerge from a contest of ideas in an information-rich environment rather than from an exclusive elite group at the heart of a government.

An organisational culture that promotes good strategic thinking is necessary. This requires that the top public servants and their ministers both value high quality thinking and are comfortable participating in the process. This is often not the case. Good policy emerges when the ideas and the analysis are what is important and this can be uncomfortable in a hierarchical

management environment where senior people can feel threatened by the exposure of their policy views to open analysis by less senior staff.

Policy analysis should acknowledge the real world of scarce resources, rationing and the trade-offs among objectives. In technical economic jargon, this might be ensuring for a particular problem area that there is “a reduction in the gap between marginal social benefit and marginal social cost that arises from the problem to the degree that it is efficient to do so”. It is too common for the policy issues to be framed in terms of meeting a government objective set in the political process rather than as deep thinking about the issues from a broader public welfare or general economic perspective and taking the full consequences over time into account. This is the essence of the systems thinking that is required.

4.4. Setting strategic goals

A key responsibility for any minister is to take great care in the setting of strategic goals for the organisations within his/her portfolio. This is still not often done well. In New Zealand, for example, a 1999 report by the Auditor General noted that government goals were “generally high level and vague”.⁴

Setting strategic goals is not, however, just a technical or literary matter. The process and context under which they are developed are critical to their socialisation and to whether they actually provide the motivation and strategic control that is intended for them.

For example, a former head of the Prime Minister’s Department in New Zealand noted the critical importance in this regard of an annual meeting held at the Prime Minister’s residence, which inaugurates the annual budget cycle by identifying key priorities that drive the budget. He saw this process for goal setting as pulling ministers and departmental heads together around shared responsibilities for a limited set of overarching long-term policy priorities against which milestones or progress could be assessed.

An observer⁵ commented that this process was not a warmed-over version of “management by objectives” but described it as a “strategic conversation”. He noted that this dialogue affected not only the substance of the objectives that emerged, but had the benefit of developing a sense of shared purpose and collegiality in the pursuit of the objectives horizontally and well as vertically.

4.5. Linking strategic goals to operational objectives and budgets

Higher level goals and priorities should be translated into detailed operational plans and budgets in a way that identifies the nature and cost of the policy intervention and service provision. In more advanced systems of results-based management, these can be linked by policy analysis, research

and evaluation to desired outcomes in some way. Performance-based budgeting has developed over the 1990s but has a long way to go to reach the goals of allocating resources on the basis of effectiveness in achieving results. It is more common to include relevant performance indicators in budget documents, which is helpful for interpretation but they are not linked to the budget allocations. The budget linkages to government goals are preferably on a multi-year time frame. Without this, the processes of organisational learning and adaptation are likely to be disrupted by the short-term requirements of the budget process.

4.6. Setting strategic objectives in terms of results or outcomes

There have been many years of experience in attempting to bring outcome-based performance objectives for government organisations into the core of the management systems. The United States launched the most ambitious initiative with the Government Performance and Results Act 10 years ago. It is still seeking to integrate budgeting and performance today through the President's Management Agenda. Australia linked programme evaluation to the budget before that and has had several initiatives over the past 15 years to increase the performance orientation of the federal government. The 1989 Public Finance Act in New Zealand prescribed requirements for outcomes to be associated with budgeting and reporting. After a lull in commitment to managing for outcomes in the mid-1990s, there has been a spate of initiatives since to pursue this approach.

Progress in results-based management and performance-based budgeting has been slow, however, and not comprehensive. I cannot see any way, however, for governments to improve their dynamic performance over the government as a whole unless there is generally good dynamic performance in the constituent organisations. What organisations should learn is not self-evident, and a process of trial and error in the pursuit of clear objectives is needed. This process must be evident in the fabric of the management systems throughout the government.

The objectives should not be specified so as to align with (and thus pre-justify) any particular option. People often fail to define objectives properly. In identifying the objective, it is important that analysts take great care to determine the most likely sources of the problem. For example, if smoking-related diseases are causing a level of preventable deaths unacceptable to the government, then the objective should be framed in terms of the problems the government action is directed at, for example, a lack of information for consumers on the effects of smoking or a lack of connection between smoking and individual health care costs. It is too common in government for objectives to be set in ways that imply there is no trade-off to be made to find the best net benefit solution. For example, the objective of raising confidence

in financial markets could invite a raft of new regulations without consideration of their possible costs to the efficiency of capital markets.

4.7. Forward planning of the flow of officials' policy advice

While there is much to be gained from developing consensus among officials and ensuring consistency of standards in analysis, there should be healthy debate and constructive tension on controversial subjects, especially when the need to address them first arises. These debates should not be "co-ordinated" out of the system, even though there must be sound processes for insisting on high standards of evidence and analysis, and pressure to resolve issues and move on. This can take time and it is a mistake to go too fast. The time lags necessary to get policy prescriptions right are a major reason why efforts in strategic policy and planning are needed to address issues when there is still time to get the policy done properly. The role of senior officials in planning the flow of advice, co-ordinating the working parties involved, and isolating issues for political resolution in accordance with the cabinet's priorities is crucial. This requires that the central agencies of the government are resourced with people with advanced skills in policy analysis and advice and mandated to assist the senior ministers in co-ordinating the advisory requirements of the government's policy agenda.

4.8. Cross departmental co-ordination

Co-ordination has to extend beyond policy preparation and into implementation. The best policy will be judged a failure if it is ineptly implemented. A common problem in a government that is lacking in strategic alignment is failure by public organisations that have a shared responsibility for an outcome to work together effectively. There are powerful levers through the budget and the performance management systems to create incentives and sanctions that promote the necessary co-operation, but great persistence over time in changing traditional bureaucratic behaviours of turf protection is also needed. Effective joint work requires leadership, high quality analyses, a mutual commitment to the issues and a willingness to break past patterns. This is difficult to achieve and requires a combination of people, resources and processes, which is not as common as it should be.

In my experience there is great benefit in making the effort to establish the principles and processes of engagement between government organisations that will have to work closely together. A written agreement about the key principles and processes that will govern the relationship can be very useful.

4.9. Portfolios, cabinet committees and decision processes

This is a large subject but in my experience the degree of coherence and dynamic effectiveness of a government is greatly affected by the way in which the cabinet works. The rest of the government machinery cannot compensate for low quality work by ministers on the consideration of the strategic policy issues. The Prime Minister and his or her advisers should plan the work of cabinet so that the urgent does not always overwhelm the important and so that the agenda of decision-making is planned and well linked into the government's strategic agenda. This is usually very hard to do. Cabinets are essentially a political decision-making body, and many ministers are simply not interested in the structured processes of strategic management. Some feel that these are an attempt by advisers to constrain the political agenda or force ministers to make decisions in principle that may turn out to be politically embarrassing later.

On taking over as Prime Minister of New Zealand in the late 1990s, Jenny Shipley reacted to overloaded cabinet agendas by cutting the meetings back to a meeting every two weeks and establishing committees of ministers to work jointly on strategic policy areas in which they had common portfolio interests. Broad strategic goals were set, and the budget allocation process was run through these subcommittees in an attempt to force trade-offs within envelopes of funding for the broad strategic goals covered by the committees. This was abandoned with the change of government in 1999 but seems to me to be a useful template for structuring the work of ministers on strategic issues.

To sum up, strategic management and organisational learning are about building synergy and teamwork in all the critical component organs of government. It is not possible for the government to achieve a high degree of dynamic responsiveness if any of its key constituent organisations are struggling to produce high quality strategic thinking and good management in their individual areas. Such coherence is built up from the bottom as well as requiring clear thinking and decision-making at the top. The flows of influence also run across the government as well as up and down.

5. The learning government: A new agenda of public sector reform?

The work on modernisation being undertaken by the OECD⁶ proposes a new agenda that moves from instrumentalist approaches – as it describes previous reform efforts – to a whole-of-government systems approach. The emphasis is on using the proven tools of reform from the past but with a systemic perspective that promotes the public sector's capacity to adapt. I agree with this objective and most of what is in the paper. But I do not agree, however, with some of the characterisations of earlier reforms and conclusions about particular reform efforts. This would not trouble me if it were not for the fact that the critique of past reforms is partly providing the

source of inspiration for the new agenda. Thus distortions in the view of the past may compromise the quality of proposals for the future. I will make a few simple points in this regard.

Drawing broad generalisations about past reforms is very difficult, as the reforms of the past 20 years are characterised as much by diversity as by their similarities. The reforms in the United States under ex-Vice President Gore shared some common general vision and principles with other reforms in the English-speaking countries but were fundamentally different in important ways. The United Kingdom and New Zealand, for example, were concerned in the early phases of reform to focus on the role of government in ways that did not concern the United States. These divergent perspectives are well articulated in a book by Kettl.⁷

The experiences of different countries in implementing reforms that shared some common goals and principles were nonetheless driven by local factors that, in my view, impinged heavily on their successes and failures. It is common for international commentaries about New Zealand to draw a connection between the general reform principles, which delegated more authority to semi-independent bodies, and public and political concerns about accountability. The fact that the reforms were not extended to semi-autonomous bodies (known as Crown Entities) and that the problems arose for unrelated reasons are generally overlooked.

At this time we are seeing substantial revision of some of the reforms of the federal government in Australia and a reassertion of more control over finance from the centre. But is this a point of principle of global significance or just that this government had gone a bit too far in weakening central control in ways that other reforming countries had not done?

The diverse experiences of countries are indeed a rich source of insight to underpin future reform agendas. But because of this diversity, one needs to take care in drawing grand generalisations about what worked and what did not if they are to be the foundations of a new agenda of reform. It would be unfortunate if the good was discarded along with the bad. If learning government were to be marketed as a comprehensive cure for failures in previous reforms, then I believe it will fail.

I agree with the call to focus on systems analysis and government-wide perspectives but suggest a note of realism. For reasons I have already touched on, the search for integrated and consistent policy programmes and strategies for delivery is likely to succeed only in a piecemeal fashion. Organisational learning will take place at different levels and locations, and not at all in some places. There cannot be a grand design that fits all the pieces smoothly together, although I do not see this as much of a problem. Complex systems do not need a grand design to function. By analogy, software engineers have

shown through “object-oriented programming” that large systems can remain coherent even though the focus of attention is to ensure that subcomponents are programmed to respond on demand to stimuli in their environment through unprogrammed interactions with other subcomponents. I wonder if there is any risk of the learning government agenda inviting recentralisation that might not be justifiable on deeper reflection.

Also with regard to systems analysis, all interventions create unintended and undesirable side effects regardless of how thorough the analysis was before the fact. Concepts of organisational learning will mollify but neutralise this unfortunate fact.

6. Conclusion

In conclusion let me reiterate a few points. To be dynamically competent requires a foundation of well-functioning component institutional features, organisations and government-wide systems. Meeting the lofty vision of being a learning government on a large scale is very difficult and involves the practice of all the core elements of public governance and management at a superior level.

Because democracy is a messy form of government, because knowledge is expensive and some questions do not have answers, systems analysis can only bring a measure of improvement. Advanced practices in strategic policy analysis and a strong knowledge base can, however, bring big improvements as I have argued in my book in relation to New Zealand.

The term “learning government” captures well the concept of advanced dynamic public sector performance, but it must be built on sound foundations of good governance, good management, and thoughtful and comprehensive policy analysis in a long-term perspective. It is not a substitute for a wider agenda of public management improvement but a complement to it. It can address some of the problems in current practices whether or not these are the consequences of earlier reform programmes.

Notes

1. Peter M. Senge (1992), *The Fifth Discipline – The Art and Practice of the Learning Organisation*, Random House, Sydney.
2. *op. cit.*
3. Graham Scott (2001), *Public Management in New Zealand: Lessons and Challenges*, Centre for Law and Economics, Australian National University, Canberra.
4. Controller and Auditor General (1999), *The Accountability of Executive Government to Parliament: Third Report for 1999*, Wellington.
5. Alex Matheson (1995), “Strategic Management: of Salamanders and SRAs”, New Zealand Institute of Public Administration Seminar.

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