Strategic Thinking and Dynamic Governance

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What makes government effective? Many studies highlight the need for efficiency; others believe that certain organizational structures are better at promoting good governance. Almost all accept that good leadership is essential. But in a climate where change is rapid and uncertainty high, effective government also requires the ability to learn and adapt, capabilities that enable government institutions to continue to remain relevant as circumstances change.

Public policy is particularly disposed to obsolescence and irrelevance because of the inherent nature of government. Most government agencies function as monopolies and do not face the discipline of market competition in the delivery of their outputs and services. There are often no established market prices for their services, which may be provided free-of-charge or at highly subsidized rates. Government activities often have no cost benchmarks; instead activities are funded by budget allocations that are subject to political influence. Managers have few incentives to improve as many public sector organizations operate without objective measures of performance, nor the financial discipline usually expected from investors who demand an adequate financial return.

At the same time, constant change makes adaptive and responsive policy making essential for survival.   A good set of principles, policies and practices, past and present policy achievements are no guarantee of future effectiveness. As environments change, good governance demands the ability to rejuvenate and renew principles, policies and practices. Careful planning is not a substitute for developing the capabilities to learn, innovate and adapt when the environment becomes volatile and unpredictable.   Therefore organisations need to have the capabilities to learn and innovate: to develop and tap new ideas, develop fresh perceptions; undertake quick action and continual upgrading to achieve flexible adaptation. In short, they need to have dynamic organizational capabilities.

What are these capabilities? We identified three dynamic organizational capabilities based on our study of Singapore's experience: *thinking ahead*, *thinking again* and *thinking across. Thinking ahead* is the ability to perceive early signals of developments that might affect the mission and effectiveness of an institution. The ability to think ahead would enable the organisation to conceive strategies and policies to adapt to the changing environment. *Thinking again* is the re-considering and re-inventing of currently functioning policies and processes when the environment changes to achieve better results. *Thinking across* is the ability to cross boundaries to learn from the experience of others, recognizing that others' ideas, systems and experiences may hold lessons which may be adapted to a specific country or organisation to achieve new or different outcomes.

Capabilities are embodied by people, embedded in process, and are manifested in strategies and policy. Whether or not an organization is dynamic thus starts first and foremost with its people, especially its leaders. Leaders can initiate change but for these changes to continue, organizational processes have to be designed to spur, sustain and support continuous adaptation.

Thinking Ahead

Thinking ahead is the capability to identify future developments in the environment, and understand how these developments could affect the achievement of an organization's desired outcomes. Developing the *thinking ahead* capability involves sensitizing people to recognize early signals of change. Organisations that are able to think ahead are able to discern how uncertainties in the external environment could affect the achievement of desired outcomes. It involves engaging decision-makers and encouraging them to articulate their views about how the environment may change. While no organization can be fully prepared for the future, the process helps the organization and its leaders develop perspectives about a range of plausible futures, recognize the limitations of the current strategies in light of these plausible futures, and devise new options and policies. More importantly*, thinking ahead* creates a culture in which people continually ask questions about what the future could look like, and what the organization needs to do now to put itself in a good position for those futures. Thinking through uncertainties ahead of their occurrence creates mental preparedness and flexibility, and instills greater confidence to respond as events unfold. This is why *thinking ahead* is a critical dynamic capability for organizations facing rapid environmental change.

Developing the capability to think ahead in the public sector requires public sector leaders who are themselves alert to signals regarding emerging issues and developments in the social, economic, technological and political environments. They need to understand how these trends may evolve into scenarios of plausible futures, and be able to articulate how and why these scenarios would require different sets of strategies and policies. In turn, they need to have the credibility to convince decision-makers to re-examine their own assumptions about the future and to reconsider goals and objectives to prepare for a range of plausible futures.

<u>Thinking Again</u>

Thinking again is the capability to look beyond the legacy of a particular policy or program to question its relevance when circumstances change. In contrast to thinking ahead which is based on judgment about plausible futures, *thinking again* is fact-based - it uses actual data, measurements and other feedback to ask questions about the underlying causes of observed results. An organization that regularly thinks again will be one where people are constantly asking why they are observing the results that they do, and what they can do differently to obtain better or different outcomes. *Thinking again* prompts leaders and organisations to regularly challenge the performance of existing policies and programs, and question the appropriateness of existing goals and strategies.

Thinking again may be triggered by success or failure – the key is how the results are perceived, interpreted and communicated to stimulate a rethink of the previous policy. The unintended consequences of success may also trigger a rethink of policies. The capacity to think again requires leaders who are willing to confront current realities and challenge the status quo. They need analytical and problem-solving abilities to drill into the details of a policy or program, why results turned out they way they did, and the skills to redesign the policy to achieve better results.

While any change is never easy, it is much harder for a leader to 'think again' what he had previously initiated or earlier changed, and to change again. A strong and successful leader tends to staff the organization with people who share his or her vision and values, and the organization develops the competencies to support the current vision. But competencies can be double-edged – skill in doing something well can become the only way to do something. Groupthink sets in.

Although the team itself may view this as cohesion and teamwork, it could just as well mean that they have lost the capacity to re-look and question existing policies and programs with objectivity. Leadership renewal - bringing in new people with backgrounds, skills and views different from existing leaders - is thus critical to the development of the capability of thinking again.

Thinking Across

Thinking across is the capability to cross boundaries to learn from the experience of others to garner new ideas and develop solutions. The capability to think across arises from an acceptance that good ideas and solutions do not always come from within, that the experiences of other organizations, industries or countries can hold lessons. *Thinking across* recognizes that breakthrough innovations often happen as a result of exposure to interesting experiments in other communities, taking apart these ideas and re-assembling them in new combinations[1]. This capability is underpinned by the belief that the uniqueness of one's context is not an acceptable reason for not learning about other approaches. Instead, uniqueness of context should focus the mind even more deeply on learning, so that the main principles and cause-and-effect logics of a particular practice may be distilled and then judiciously applied to the local circumstances.

Thinking across helps people to identify and overcome their own blind spots, enabling them to see their own policies in a new light, question their own practices, and encourages them to see how new connections can be made and how different ideas may be recombined to create innovative approaches and solutions. The intent is not simply to imitate best practices. Effective *thinking across* entails developing a deep understanding of why others adopted different approaches to similar issues, and how their history and circumstances influenced the selection of policies and the design of programs. *Thinking across* is not just knowing the "what's"; it involves also understanding the "whys" - why certain options worked and why others did not. *Thinking across* is a dynamic capability that introduces fresh ideas and innovations into an organization, enabling the organization to change and adapt to the environment. Singapore's founding Prime Minister Lee Kuan Yew estimated that 70% of the governance ideas implemented in Singapore were learnt and adapted from elsewhere.

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[1] Andrew Hargadon (2003). How Breakthroughs Happen. HBS Press, Cambridge, MA.

For effective thinking across, leaders need to take on new innovation roles[2], such as an anthropologist, an experimenter, a cross-pollinator, a set designer, and a storyteller. They should be confident and comfortable enough to go beyond familiar domains to look for different ideas, recognize patterns and build the intellectual and social linkages so that these new ideas are not rejected too early and too easily. Leaders with thinking across capabilities become knowledge brokers who can span boundaries, build linkages to distant communities and grow social networks for learning and interactions. In short, they become a conduit for the flow of new knowledge to their institutions. The sharing of information and experiences in the leaders' social networks gives them knowledge of tried and tested approaches, albeit in a different country, domain or culture.

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[2] See Tom Kelley (2005). The Ten Faces of Innovation. Currency-Doubleday Publishers, USA.