Decision making in an environment of uncertainty and change

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Session Notes
The Centre of Government (CoG) is the body that provides direct support and advice to the Head of Government and the Council of Ministers. The CoG meetings began in the 1980s, and were consolidated into an annual event in the 1990s. CoG constitutes a forum for informal discussion and remains one of the OECD’s highest-level policy networks.

The meetings serve three main purposes:

- To review issues of how to make the centre of national government work more effectively;
- To achieve a more in-depth understanding of decision and policymaking systems in the host country.
- To work on broad governance issues fundamental to achieving economic and social public policy objectives.
The annual meeting of senior officials from Centres of Government is one of the highlights of the OECD calendar.

As one of the most high-level OECD committees, it offers a unique insight into strategic thinking at the top. We look to the Centres of Government to help us find new approaches to the unprecedented economic challenges that we face today.”

Angel Gurría
Secretary-General of the OECD
Introduction

Complexity and uncertainty now seem to define the environment for modern government. Reports appear on an almost daily basis that paint a picture of accelerating change and unpredictable trajectory. Scenarios suggest that both the chance of an event happening and the seriousness of the consequences if it does happen are increasing across an unprecedented range of geopolitical, economic, social and environmental risks. At the same time, while we often focus on the downside risks, disruption related to digitalisation, automation or the transition to a low-carbon economy, among others, also offer huge opportunities.

Dealing with uncertainty and change in government has moved out of the contingency planning sphere and into the regular operations sphere. An important wakeup call came almost exactly a decade ago. The financial crisis showed that our ability to anticipate how events will unfold is rather limited. When the subprime crisis started, most economists, and the policy makers they advised, thought it would largely affect a limited socioeconomic segment of the population. They did not expect that an apparently domestic problem would trigger a cascade of events that almost caused the collapse of the international financial system or that it would lead to a recession lasting for years. A sense of residual uncertainty remains even now because there is little to suggest that another similar shock would not have consequences on a similar scale. We hope that we understand global interconnections better now than we did ten years ago, but that hope could be misplaced.

In the aftermath of the crisis, some profound shifts – perhaps temporary, perhaps permanent – became apparent. In particular, many countries appeared to transition to a ‘low-growth model’ in which low growth is structural rather than linked to cyclical variations or the result of a crisis-related shock. If this scenario is the new ‘normal’, then it has huge implications for economic and social policy, giving new urgency to controversial debates such as the future of work, inter-generational equity and integration of migrants, as well as bringing closer some hard political choices relating to the financing of pensions and welfare systems, regulation of the labour market or investment in the transition to a low-carbon economy. These pressures are becoming less and less abstract, and according to many observers the time for radical solutions is approaching faster than we would like.

If this were not enough, specific events over the past year - geopolitical tensions, extreme climate events, and continuing large-scale migration, among many other things, have given further weight to the notion that we are in a situation characterised by an unusual level of volatility. How governments respond to the challenges that we face today will have an important influence on economic prosperity and political and social stability in our countries.

Unease about the future can distract from the many opportunities that change could bring. Advances in machine learning, 3D printing, blockchain cryptoassets, genome editing, self-driving cars, to name but a few, are likely to transform the daily lives of most citizens within years rather than decades, and governments need to plan for this future with appropriate regulatory, legislative and fiscal frameworks. As shown in Figure 1, the right policies can offer clear benefits.
The links between uncertainty and change and the policy levers that government has at its disposal are quite direct. The effectiveness of government legislation, regulations and investments depends crucially on how well these policy levers anticipate and react to change; if they do not, then their shelf life will be short. There are already examples of this. Regulation of the digital economy struggles to keep pace with technological advances leading to widespread concern over cyber (in)security. Fiscal policies are not yet in place to fully and fairly tax revenues generated by rapidly evolving internet-based business models. Laws and agreements relating to integration of migrants rapidly lose relevance if flows increase sharply. The stakes for government are high. But how to integrate the “known unknowns” and the “unknown unknowns” into policy making?

Because of its dual role as strategist and problem-solver, the centre of government can and should play a leading role in helping the state adapt to this new environment. The centre is a complex system that needs to be able to bring together political facts, strategic interpretation, scenarios and policy options, not to mention a viable communications spin on a given topic, and all as quickly as possible. The centre can develop the evidence and frame difficult choices at the political level, lead implementation of complex policy responses by the public sector and its partners, and communicate the reasons behind government decisions and why they are important. But all this might well require taking a fresh look at how the centre operates.

This meeting will explore the challenge of uncertainty from three closely interlinked perspectives - creative thinking, decision-making and communicating - in order to understand how the centre of government can play its role effectively. The meeting will draw on the practical experiences of network members, as well as a unique OECD survey, to identify how institutions are adapting to better support quality decision-making.

**Figure 1. Economic benefits of combined action for growth and climate**

![Economic benefits of combined action for growth and climate](image)

On average across the G20, the net positive impact on GDP output of a decisive transition is 1% in 2021, rising to 2.8% in 2050.

OECD (2017) Investing in Climate, Investing in Growth
Session 1
Creative thinking

Uncertainty and change in the policy environment imply a premium on the use of evidence for decision making. Emerging trends need to be identified, their evolution tracked and their implications for society analysed. This suggests that we need ever-better data and the capacity to interpret data to unpick the complex interactions and interdependencies that characterise the modern world.

While the importance of evidence for effective decisions is undoubtedly recognised by policy makers, there is, nonetheless, a lingering suspicion that evidence is not always well used at the highest level to inform and guide the choices that are made. There are many possible reasons for this that relate to both the supply of policy-relevant, timely data and the demand for evidence coming from the policy side. On the one hand, research may be generated too slowly to influence a political choice or evidence might be inconclusive or contradictory; on the other, political factors might argue in favour of an option that is not supported by clear evidence.

Decisions based on data alone may suggest choices that are not politically feasible, while purely political decisions may misread underlying trends. In such a system, where demand and supply are often poorly aligned, the centre of government plays a vital role as an information broker.

The centre of government’s role as a broker involves collecting and collating evidence from external sources, but also generating its own analysis. The objective of the centre is to ensure that the merits of a particular action can be judged easily by the head of government and senior members of the government, whether they are knowledgeable in the field or not. Information therefore needs to be presented in a way that allows political leaders to understand the need for - and consequences of - proposed policy interventions, to evaluate costs and benefits, to weigh evidence on their likely impact, and to anticipate risks and resistance to the policy. While individual departments might focus on their own evidence gathering, including through large internal research units, the centre is obliged to canvass opinion and analysis more widely.

This process must be formalised to some extent so that the centre is able to justify how it has selected the evidence that is presented in briefings and other supporting documentation. This task of information broker is becoming more and more complex because technology is multiplying the number of sources of information and their reach. The resulting flows of information and opinion create data noise and make it difficult to identify useful, verifiable information.
The next issue is whether the traditional channels through which the centre gathers evidence for decision making are still adequate given the context of uncertainty and change. As problems become more complex, more urgent and more unpredictable, there is a strong argument that more creative solutions need to be found; and, implicitly, new mechanisms need to be found to generate these creative solutions. This means connecting to the people who are best placed to ‘imagine’ the future of work, transport, energy use and so on.

In some ways, the centre occupies a unique position that allows it to champion unconventional problem-solving. Already, by its institutional position, the centre can stand back a little from the departmental fray and see an issue with a certain objectivity. This can help to identify biases and patterns that obstruct the ‘easy’ answer and help to recognize when a new approach is needed. Yet, the history of creative thinking at the centre suggests a function that is still not well-anchored in institutional terms and one that struggles to influence the direction of policy in practice. This situation might be changing, however, as governments increasingly recognise the need to integrate innovative ideas into policy discussions. The challenge is how to do this in institutions that are still structured around bureaucratic procedures, with risk-taking, experimentation and innovation becoming more accepted but still not really the norm.

Against this background, strategic foresight has emerged as an essential tool for governing in the face of uncertainty. The aim of foresight is to explore a range of plausible alternative outcomes (‘scenarios’) that could arise in the future, and to assess their implications for policy today. Foresight helps policy makers to look beyond current assumptions about the future and prepare for a broader set of possibilities. As the pace of change accelerates and the time for adjusting policies shrinks, it becomes all the more important to anticipate plausible disruptions before they arise and develop appropriate policy responses. Foresight is used to strengthen policy making in two key ways: first, by identifying new policy opportunities and challenges that could emerge in different scenarios, so that governments can start to prepare, and second, by providing a means to test how well current policies may fare against different future scenarios, so that adjustments can be made if necessary. The task for the centre is to determine how best to nurture foresight as an activity of government and how the fruits of foresight work can be, on the one hand, packaged in a way that makes them useful for political decision, and, on the other, disseminated so that they inform actions across the whole of government.

Identifying plausible futures and their policy implications is only a first step. Governments are also exploring new ways to adapt and adjust institutionally in order to deal with rapid change. Starting from the identification of future evolutions or needs, ‘systems change’ approaches are one way that governments are trying to confront complex or so-called ‘wicked’ problems that suggest the need for radical rethinking of current policy systems. To effect systems change, administrations must develop a creative vision for a desired future outcome, define the principles according to which that future system will operate, and start to implement a set of interventions that will transform the existing system.
There are many variations of systems thinking, but all start from the assumption that an entirely new system is possible and achievable. Creative thinking at the centre can identify what that new system should look like; however, political vision and leadership are also required in order to make it happen. This includes championing experimentation and “the right to fail”.

Another example of the use of creative thinking at the centre is behavioural insights. Behavioural science is being increasingly applied in governments around the world, including at the centre of government, to improve decision making. In an ever more dynamic and fast paced policy environment, behavioural insights can be an innovative way to capture trends and adjust public policies so that they remain aligned with citizen or business behaviour and expectations. Recent work by OECD suggests that centres of government may want to improve decision-making processes through behavioural insights by:

- Mainstreaming behavioural approaches to de-bias decision-making processes and encourage new thinking (e.g status quo bias, group think, etc);
- Embedding a culture of experimentation, that seeks to provide evidence of solutions as well as finding out if they do not work;
- Establishing a behavioural function in governments that uses a multi-disciplinary approach to address complex issues;
- Applying behavioural and social sciences to the understanding of complex problems to inform better decision making.

While creative solutions are still often at the margins of the policy formulation process, they are becoming more accepted as an important input into the policy debate and more influential in decision making. In order to help this process, a number of countries have set up units of different kinds to provide a dedicated space for new approaches to developing evidence for policy.

**Questions for discussion**

- How can evidence on economic, social and environmental change and uncertainty be better integrated into policymaking?
- How can the centre promote creative solutions in a context of change and uncertainty? How can these ideas be packaged for decision-makers and how can they be disseminated across departments and agencies?
- How can the centre nurture innovative approaches to dealing with change such as foresight, systems thinking and behavioural insights? What is the experience with innovation labs and similar incubator-type structures?
Session 2
Decision making

Governments are under pressure to act decisively to boost confidence, to restore growth, to create jobs, to stabilise public finances and to maintain service quality. They face an historical adjustment challenge, with the rapid pace of change in their policy environment driven by technological and other shifts.

When OECD first reviewed the role and functions of the centre more than 15 years ago, its tasks were dominated by procedure – organising Cabinet meetings and ensuring that relevant documentation was delivered by the appropriate departments on time and in the format required. These tasks remain, but the role of the centre has evolved significantly since then. The latest survey confirms the pivotal and very active role played by the centre in decision-making. According to the survey, this role has a number of important characteristics: in particular, the centre...

- operates through both formal and informal channels
- works through collective bodies as well as bilaterally
- bridges the political and administrative spheres
- co-ordinates and mediates simultaneously at different levels (minister-level, senior civil service...)
- is active in advising on policy content at the same time as it plays a ‘policy-neutral’ role of quality control

If done well, the result is a central decision-making system that is able to access and use relevant evidence, weigh up different views and opinions and arrive at ‘best available’ decisions in a timely manner. The question is: to what extent does the level of uncertainty and risk that pervades today’s economic and social environment require the decision-making system (of which the centre is a key part) to adapt?

Decisions are of different natures and timeframes. A significant portion of the day-to-day activity of a prime minister’s office is essentially firefighting, and the role of the centre is to provide intelligence to support decisions that need to be taken at short notice and for which consultation is limited by time constraints. The centre provides much of the real-time, reactive advice required for day-to-day choices and decisions made by the head of government. This role involves both command of data and information on which a particular decision depends, but also the capacity to organise the process by which the decision will be taken and communicated (which members of the government need to be directly involved; who needs to be kept informed...).
The financial and fiscal crises have put the spotlight on the ability of governments to take decisive action and mobilise key partners in support of those actions. During the crisis, governments were sometimes portrayed in the media as hesitant or reactive, hindered by political inertia or infighting. During the most high-pressure periods of the crisis, governments introduced abbreviated processes to speed up decision making (so-called “economic war councils” involving the head of government, minister of finance and one or two other senior members of the government). These events highlighted the importance of rapid-reaction analytical and political intelligence systems to facilitate effective decision making by the head of government. The lessons learned then may well be useful again.

Figure 2. Percentage of workers in jobs at high and medium risk of automation

The risk of job loss because of automation is less substantial than sometimes claimed but many jobs will see radical change.

While the head of government’s time is often dominated by current events, the centre also has a duty to try to maintain some coherence in government action as well as scan the horizon for new challenges, such as automation and its perceived consequences for the labour market (see fig. 2). Heads of government need to demonstrate that they can look beyond a particular crisis, even if this and other short-term events monopolise his or her time in practice. Keeping a hold on the strategic direction of the government is a key task of the centre and this dimension also needs to be fed into decision-making to avoid a situation in which longer-term thinking is crowded out. While short-term responses take precedence, the longer-term agenda should inform and “flavour” the actions of government. That decisions are aligned with a broader vision should also be consistently communicated via the head of government to the public and to business.
Most decisions revolve around policies developed by departments and agencies or head of government priorities that need strong participation by line departments. The role of the centre is to organise a decision-making process by convening key actors and organising a collective decision.

The centre is also expected to separate out the decisions that can be taken without political resolution and those that need the authority and political capital of the head of government. This means that formal and informal meetings are convened in order to resolve as many issues as possible so that decisions can be taken without the need to engage in more complex and politically costly dispute resolution. Here again, the choice of the channel that should be used (from a cross-departmental committee forum to a quiet chat on a sofa) is part of the art of the centre’s role. A crucial issue is the alignment between the way the head of government and senior government officials negotiate to reach a decision and the mechanisms that are in place.

Questions for discussion

- Is the structure of centres of government still adequate to support policymaking in a context of rapid change and uncertainty? What have recent crises taught about the strengths and weaknesses of the centre?
- Are the centre’s basic tools – Cabinet briefings, standing committees, cross-departmental coordination meetings – still the most effective way to reach quality decisions and promote consensus?
- What new procedures or capacities might be needed? How can the centre pilot new ways of working in a context of well-established tradition and routine?

**OECD Report: Centre Stage II**

*New data* on how OECD countries are adapting the centre of government to meet today’s challenges. Covering budgeting, strategic planning, staffing and emerging tasks, among many other areas.

Analytical report available: end 2017 (Data consultable by countries)

Contact: Andrea.Uhrhammer@oecd.org
Session 3
Communicating

The first two sessions deal with the process of gathering evidence and using it to make correct decisions. An equally important part of the role of the centre of government is in communicating decisions both across the government and to the public.

Given the development of 24-hour global media, the pressure on governments to give instant responses to unfolding events has increased dramatically. Governments have realized that they have to adapt their media strategy to react to these changes. While all ministers and ministries have their own communications capability, most OECD governments place responsibility for communications at the centre of government (see fig. 3a and 3b). For six countries, communicating government messages is one of the top four priorities of the centre of government, and it is a primary responsibility for the centre in another four countries.

The communications role of the centre has three main dimensions. First, the government usually has a spokesperson located at the centre of government to make statements on behalf of the government as a whole. Second, the head of government needs communications staff support in order to prepare his/her own statements. Third, there is a need to ensure that the information provided by one Ministry is consistent with information issued by others, that initiatives are synchronised and that announcements are timed to maximise their impact. The centre of government usually organises strategic communications planning and liaises with communications officers from departments to make sure that media actions are well orchestrated. Given the intense scrutiny of the consistency of government messaging, this effort is crucial for the ability of a government to present a common and united image of itself to the public.

Government communications around uncertainty and change is a delicate task, as in many cases it involves admitting to uncertainty, which is not always easy for governments who have been elected to be the stewards of the public interest and guardians of citizens’ physical and economic well-being. Of course, being open about the inevitability of change and being transparent about the limits of what we know probably does less harm than trying to conceal the facts. An underlying assumption of the move towards open government is that governments should engage in a real dialogue with citizens rather than trying to avoid uncomfortable truths or telling people only what they may want to hear. Moreover, from a practical public relations perspective, trying to suppress uncertainty and project an air of certainty in its place is likely to lead to frequent and embarrassing U-turns and policy shifts.
Communicating by government in an environment of uncertainty and change inevitably involves stepping into intense public debates. In these debates, masses of government data compete for attention with other data, as well as with perceptions, prejudices and misinformation. Many issues are polarised, not only in political terms, but also by rival, optimistic or pessimistic, interpretations of available data, such as whether automation will affect 40% of all jobs or less than 10%.

The most obvious fact about government communication is that it is operating in an environment that is evolving incredibly rapidly. Two features of the current information and media landscape are now converging, making this even more challenging. First, the speed at which information is circulated, through instant news media and social media, as well as smartphones - the devices through which we receive, follow, share and even contribute to reporting and creating the news. Second, the risk and uncertainty produced by the circulation of potentially false information.

The ceaseless and ever-increasing flow of information that citizens receive includes speculative information posing as news and misinformation posing as the truth. This information overload means that all providers are competing for attention.
The privileged place of certain actors – government, respected newspapers, etc. – is no longer guaranteed. If we assume that technological change will probably accelerate, then governments like other actors will need to constantly refine the way they communicate, both in terms of what they communicate and by through what medium.

Over the past few years, as new technology platforms have become a part of daily life and information flows have increased, individual coping strategies have emerged that now effectively determine the format of communication, including that by government to citizens:

- short messages are preferred over lengthy texts
- audio, pictures and video clips are preferred over written text
- multiple summaries are preferred over single, longer texts.

The recognition that these habits are becoming embedded has changed the way information is presented, with Twitter embodying the preference for brevity and visuals. There has been a rush to explain why this is the case and what implications this rapid sampling of small bits of information has on the capacity to discern what is important from what is not, and what is true from what is not. Whatever the impact is on citizens as consumers of information, traditional government communication channels have little chance of success in this new environment. Governments cannot assume that simply providing information is an effective way to reach the public. They need to go to their audience and accept that it is the audience that chooses when and how to engage. Citizens have almost unlimited options to access the information that they need in order to form opinions. Government messages have to compete in a crowded information marketplace.

Questions for discussion

- How should government communications address uncertainty and change? Are there trade-offs between openness and prudent management?
- How is the technological revolution in media and communications influencing how governments communicate? Are communications strategies from the centre able to keep up with the pace of change?
- What new communications channels are proving most effective, and how do these link with more traditional activities of press offices such as regular press conferences, media briefings and press releases?