

**Lee Kuan Yew School of Public Policy**  
Working Paper Series

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**Management Capabilities and Policy Capacity**  
**Where are the Links?**

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June 30, 2014

Working Paper No.: LKYSPP 14-14

\*Paper prepared for Research Workshop on “Policy Capacity for Innovative Governance” Hosted by Lee Kuan Yew School of Public Policy, National University of Singapore and School of Public Affairs, Zhejiang University, China. May 22-23, 2014 in Hangzhou, China.

## **ABSTRACT**

*This conceptual paper aims to contribute to the discussion of policy capacity in three ways. First, the emergence and growth of 'governance' as the mode to achieve public outcomes in this 21<sup>st</sup> era, requires us to include skills related to collaborative and network management capabilities in the discussion of policy capacity. Second, as more and more public policies are recognized as being complex and wicked, aside from the ability to analyze statistical data sets, policy capacity should also address analysts' abilities to adopt psychology and decision-making studies to policy analysis. Specifically, this is related to communicative capabilities to frame and brand policies. Lastly, I suggest that we examine the 'capacity approach' that has been used in the field of public management and investigate what can be adapted to the idea of policy capacity. In particular, I suggest to differentiate organizational capabilities to 'produce and utilize data' from 'the decision-making process'.*

## **INTRODUCTION**

Defining and operationalizing the concept of policy capacity is of tremendous value for governments. It will guide decision-makers on where to invest resources and it will guide scholars to produce research products that are useful to practitioners. Thus, it is important to carefully review and generate comprehensive discussions on this concept.

This paper aims to contribute to this emerging discussion by bringing in relevant ideas from the field of public management. The paper makes three central arguments. Each point is elaborated in the following three sections of this paper.

- 1) In this era of governance, we should include the capabilities to manage networks and collaborative settings in all three levels – individual, organizational, and system – of policy capacity.
- 2) Individuals and organizations should embrace psychology and decision-making theories in policy analysis by utilizing the idea of framing and branding policies.
- 3) The capacity approach in public management is highly relevant to the topic of policy capacity.

## **1) COLLABORATIVE CAPABILITY & POLICY CAPACITY**

The theory of collaboration, as promoted over two decades ago by Wood and Gray, is a multi-organizational arrangement to solve problems that cannot be easily solved by single organizations (Wood & Gray, 1991; Agranoff & McGuire, 2003; O'Leary & Bingham, 2009). The interaction can be formal or informal, it can involve institutionalizing new rules, procedures, and structures to govern the relationships, and it often leads to creating new public value and or making joint discovery (Amirkhanyan, 2008, 525-6). In order to achieve common goals, organizations work in multi-sector and multi-actor relationships and they have to select actors and resources to cope with strategic and operational complexity (Agranoff & McGuire, 2003, p.4). These goals or public value (e.g. better social outcomes, better coordination of services) can be additional outcomes that are separate from the organizations' goals (Thomson & Perry, 2006).

It is more and more evident that governments function in multiple sets of networks and collaborations (Fountain, 1997). Most, if not all, public sector organizations coordinate, collaborate and cooperate with other organizations all the time to get things done. Studies have provided explanations on how networks in the public sector work (Agranoff, 2003; Kickert, Klijn, & Koppenjan, 1997; C. J. Koliba, 2006; C. Koliba, Meek, & Zia, 2011; O'Toole, 1995). Collaboration involves a willingness of parties and stakeholders involved to enhance one another's capacity for mutual benefit (Thomson, Perry, & Miller, 2009). The parties share risks, responsibilities and rewards, invest substantial time, share common turf and have high levels of trust (Himmelman, 2001). It is precisely the skill to harness relationships in networks that makes certain organizations more effective than others. It involves the building of trust, transactional and transformational relationships, setting of common goals, creation of public value, and sharing of resources.

There are three types of networks: policy networks, service delivery networks, and governance networks (Isett, Mergel, LeRoux, Mischen, & Rethemeyer, 2010).

The capability to harness the power of all three types of networks is crucial for policy capacity of any government.

Aside from generating policy ideas, policy networks help formulate data and information for specific policy sectors. It also influences policy decisions (Waarden, 1992). Take for example, conventional policy networks related to human trafficking, corruption, climate change, cities management or environment protection (e.g. Stone, 2008). The cloud technology now allows for multiple analysts around the world to work on the same public problem simultaneously. One such example is a company called WikiStrat, where they use a number of crowd sourced consultants to produce analytical reports on world events such as the African Spring, Modern NATO, and 2014 Indian Elections.

A service delivery network is made up of multiple organizations that provide services or produces goods in a chain manner (Agranoff, 2003; Singh & Prakash, 2010). These networks are often led and co-funded by government. They focus on allocating work or division of labor based on expertise and resources. An example of this network is Singapore's CARE Network, where Prisons agency pass cases of ex-inmates to NGOs so the NGOs can help them rehabilitate back into society (Poocharoen & Ting, 2013). More recently this idea has extended beyond organizations to include individuals in the delivery chain in the form of co-production (e.g. Alford, 2002; Brandsen & Pestoff, 2006; Meijer, 2011; Ostrom, 1996; Whitaker, 1980).

Governance networks are a combination of policy networks and service delivery networks. These are often large and complex networks that aim to do advocacy, change or formulate policies, and also implement policies at the same time (e.g. Coen & Thatcher, 2007; Crawford, 2006; C. Koliba et al., 2011; Provan & Kenis, 2008; Sørensen & Torfing, 2009). These are such as anti-corruption programs and poverty alleviation programs found in many countries where donors, government agencies, NGOs, and the private sector are connected somehow to the network.

**At the individual level**, policy analysts must know how to build and sustain relationships with private sector, non-government actors and international actors in the same policy arena. This will allow policy analysts to become a part of larger policy networks where ideas and information are exchanged. The analyst can then become the 'conscious agent' of policy transfer. Furthermore, most of these networks have valuable data sets that governments can make use of. Such examples are corruption surveys, evaluation reports, and donor reports. For service delivery networks, public managers need to know how to select partners, how to manage contracts (if any), and how to build trusting relationships that would allow for members grow. In governance networks, needless to say, public managers need to know how to navigate in such a setting and how to utilize the network to its fullest potential (Agranoff, 2006; Bardach, 1998; Buuren & Edelenbos, 2013; Milward & Provan, 2006; O'Leary & Bingham, 2009).

**At the organizational level**, there must be organizational practices and culture in place that is conducive for collaboration. These include loosening up on the idea that all information is confidential, moving from competitive to collaborative mode of operations, foster the organizational capabilities to learn from the collaborative experiences. Double-loop learning must be supported in an organization (Jones, Ferreday, & Hodgson, 2008; Newig, Günther, & Pahl-Wostl, 2010). Distinct from rigid hierarchies, networks and collaborations are dynamic entities that grow, change, and evolve over time (O'Leary & Bingham, 2009; Selden, Sowa, & Sandfort, 2006; Wood & Gray, 1991; Cooper, 2003; Linden, 2002; Long & Arnold, 1995; Thomson & Perry, 2006). Organizations that are part of networks must also be flexible, adaptive and resilient to the dynamism of networks.

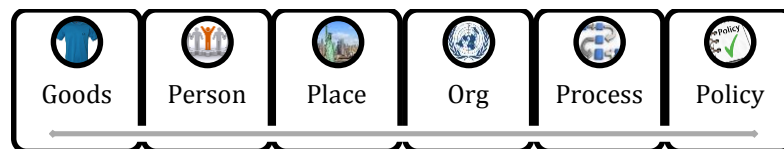
**At the system level**, this collaborative and governance network approach requires vibrant civil societies and the private sector to participate in equal partnership with government. Laws, rules and norms must be in place for growth of partnerships and functioning of networks. These can include such as changing public finance rules, revamping ways to measure government

performance, redesigning public participation processes, reforming decision-making processes.

## 2) BRANDING CAPABILITY & POLICY CAPACITY

As more and more public policies are recognized as being complex and wicked, aside from the ability to analyze statistical data sets, policy capacity should also address analysts' abilities to adopt psychology and decision-making studies to policy analysis. Specifically this is related to communicative capabilities to frame and brand policies.

In the general sense branding has the following characteristics: its gives meaning to something; it adds value to the branded product; it distinguishes the branded product from similar things; and it has a concrete, visible manifestation in the form of a sign, a design, or a name (Eshuis & Klijn, 2012; Moilanen & Rainisto, 2009). There are five forms of branding: goods, person, place, organizations, process, and policy (Eshuis & Klijn, 2012).



An example of organizational branding would be how Singapore's National Library Board rebranded public libraries to be the main vehicle to transform Singapore to be a 'Learning Nation'. The librarians were renamed to be 'cybrarians' and 'knowledge navigators', who can help citizens to find all kinds of information.

An example of person branding in politics is the symbol that Obama used for his election campaign. The circle is for Obama and it represents a new horizon, especially with the fuzzy white effect. Both red and blue colors are used to show that Republics and Democrats can work together and the red-stripes remind people of the U.S. flag. Obama is branded to be new hope for the U.S., who will make positive changes (Eshuis & Klijn, 2012).



Branding of processes is becoming more common for the public sector. Examples of such brands are anything with 'participatory', 'joined-up', or 'whole-of-government'. It depicts decision-making processes.

While branding of goods, persons, places, and organizations are not new, the idea of branding of processes and policies are relatively recent. Taken from business schools and private sector management, the idea of 'branding' in the public sector serves a few purposes. First, it helps to influence perceptions about policy problems and solutions. Second, it creates dependency and attracts stakeholders to governance processes. And third, it helps with communication to the wider environment via the media (Eshuis & Klijn, 2012).

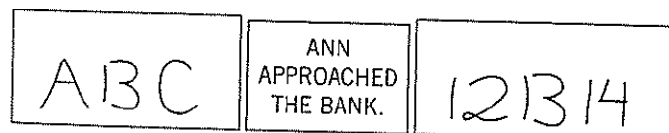
For example, one policy plan in the Netherlands originally used the term 'problem communities' to refer to the target communities of that policy. Later, after series of public consultations, the term was changed to 'power communities'. This gave a new brand to the communities, which helped to empower the citizens and get buy-in for the policy (VROM 2007).

An example of policy branding is OTOP – One Tambol One Product - in Thailand. The same policy exists in Japan, where it originated, Taiwan, and the Philippines, where it is called One Town One Product. These policies have the goal to help local communities generate more income by selling locally produced goods. Government intervenes by providing micro-credit loans, helping to market the products, giving awards to high quality products, set up websites to sell the products, and creating exhibitions and roadshows to showcase the products overseas. It is essentially a familiar policy of subsidizing certain marketing and production costs for local communities. But because of the new branding to call these products OTOP, it helped to get buy-in and to successfully sell the products.



In relation to this new mode of communication in public policy, **at the individual level**, a policy analyst must be able to read emotions of the public. They should have the capability to communicate policy content, policy problems, and policy solutions in such a way that is effective. They should know how to use words, visual images, and designs to influence perceptions of citizens, stakeholders, and partners in networks. This capability is above and beyond the ability to crunch numbers and run statistical analysis. This is the true test of communicative capabilities.

It requires policy analysts to understand psychology studies such as the work of Nobel laureate Daniel Kahneman, who explains the intuitive and rational sides of the mind as system 1 and system 2. For example, see the following picture (Kahneman, 2011, p.79).



Do you see ABC and then 12 13 14? If you look again you will see that B is also 13. This is what Kahneman refers to as associative memory and the laziness of our rational minds to think. We often allow our intuitive mind to jump to conclusions about things. In addition, we often do not know that we are highly influenced by the context. You saw the B because of the letters and you saw the 13 because of the numbers and the probably the word 'bank'.

For complex and highly political policies that relates to ideologies, it is often difficult to make use of so-called 'hard data' or 'scientific knowledge' to formulate policies. An example would be the issue of nuclear power plants in Japan. Public policy, similar to many other arenas of decision-making, is highly emotional. Most of the time, statistical analysis must be forced upon us because generally



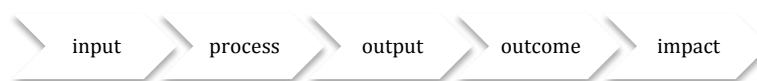
our system 2 is very lazy. Despite having hard facts about the probability of accidents in nuclear power plants, many people would still rather use their emotions to decide. To make my case, would you use Malaysian Airlines in the near future?

**At the organizational level**, managers and leaders have to be aware of the power of psychology in decision-making and cognitive biases. The organization must have a sound system for generating data and turning them into information, while being aware of biases, perceptions, and priming effects that organization members are influenced by.

### 3) CAPACITY APPROACH IN PUBLIC MANAGEMENT & POLICY CAPACITY

It is of interest to me to think about the difference between the notion of government capacity and policy capacity. In the field of public management there are three ways that scholars have looked into the 'capacity approach'.

First, there are studies that have constructed indicators to measure government capacities. One prime example is the Government Performance Project, spearheaded by the Maxwell School at Syracuse University between 2000-2005. Their model suggests that governments should have four pillars of capacity: capital management, human resources management, financial management, and information technology management. Since it is challenging to measure outcomes in public services, the model suggests that we should focus on 'processes' and the capacity to deliver, which in turn is to focus on the four key functions of governmental organizations.



Second, in the sub-field of performance management, scholars are interested to measure and study the quality of processes. These are such as the level of participation, level of transparency, level of democracy, in addition, to how fast and how costly the production of services and/or goods are. The Good Governance approach is an example of this idea. The emphasis is on the process

of how things are done. And the assumption is that if the process is done right, the output and outcome should also transpire.

Third, among scholars of public value management and public governance, the capacity approach is also emphasized. As mentioned above, the capacity to collaborate is a prime example. Moore's (1995) work on strategic triangle and the creation of public value separates internal capacity of organizations from the ability to harness external support or the authorizing environment. He emphasizes that if these two capabilities exist, public managers and organizations will be able to achieve the notion of public value that is defined in the organization's mission.

### **NEW SKILLS IN POLICY CAPACITY**

Based on the explanations above, the elements of policy capacity should, therefore, adopt collaboration and network management in the row of Managerial Competences. In addition, we should explicitly incorporate the skills to frame and brand policies as the key communicative skill for Political Competences of individuals and organizations. Lastly, in using the capacity approach, we should include the ability to produce and utilize information and large-scale data sets as part of the organizational information capacity. And we should also have measures related to decision-making processes to assess the 'readiness' of organizations (See table below).

To elaborate on the last point above, I think analytical capacity should be narrowly defined as 'statistical and objective analysis of data to form information'. The process to synthesize data to form information is different from the process to utilize information to shape or make preferences – which is also different from the actual decision-making process itself. For example, data collected on pollution emission from factories is not information until it is synthesized. This information should be used to form preferences on policies. The process involves evaluation and formulation simultaneously or very close proximity to each other. Can officials collect the data? Can they process it into information? Will they use the information? How will the information influence

policy direction? All this requires learning capacity, the willingness to learn and improve by the organization. This is should be labeled 'decision-making process' under Organizational Capabilities for Analytical Competences.

Resource Level Skill Dimension	INDIVIDUAL CAPABILITIES	ORGANIZATIONAL CAPABILITIES	SYSTEM CAPABILITIES
<i>Analytical Competences</i>	<b>Policy Analytical Capacity</b>	<b>Organizational Information Capacities</b>  * Large-scale data analysis, Ability to utilize information, Decision-making processes	<b>Knowledge System Capacity</b>
<i>Managerial Competences</i>	<b>Managerial Expertise Capacity</b>  * Network management	<b>Administrative Resource Capacity</b>  *HR system, budget system, Harnessing partnerships and networks	<b>Accountability &amp; Responsibility System Capacity</b>  *Civil society growth, Strong private sector
<i>Political Competences</i>	<b>Political Acumen Capacity</b>  * Framing and Branding skills	<b>Organizational Political Capacity</b>  * Framing and Branding skills	<b>Political-Economic System Capacity</b>

(Modified from Xun et al, 2014)

## CONCLUSION

For too long have the scholars in public management been talking in parallel with scholars in public policy. The idea of policy capacity has the potential to bridge that gap and link the two sides. This short paper has outlined three topics in public management that can be better integrated into the discussion of policy capacity. They are network management, branding of policies, and the capacity or readiness of organizations, especially for large-scale data analysis and utilization, and decision-making processes. Further discussion should be carried out to refine the details of organizational capabilities for all three competences. Organizational theory and organizational behavior are sub-fields in Public Management that are still under utilized by public policy scholars. This is, however, a good start.

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