

# **Ministers as strategic political leaders?**

Strategic political steering after NPM  
reforms in Finland

**Minna Tiili**

ACADEMIC DISSERTATION

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## Abstract

This study explores strategic political steering after the New Public Management (NPM) reforms, with emphasis on the new role assigned to Government ministers in Finland. In the NPM model, politicians concentrate on broad, principal issues, while agencies have discretion within the limits set by politicians. In Finland, strategic steering was introduced with Management by Results (MBR), but the actual tools for strategic political steering have been the Government Programme, the Government Strategy Portfolio (GSP) and Frame Budgeting. This study addresses these tools as means of strategic steering conducted by the Cabinet and individual ministers within their respective ministries. The time frame of the study includes the two Lipponen Cabinets between 1995 and 2003. Interviews with fourteen ministers as well as with fourteen top officials were conducted. In addition, administrative reform documents and documents related to strategic steering tools were analysed.

The empirical conclusions of the study can be summarised as follows: There were few signs of strategic political steering in the Lipponen Cabinets. Although the Government Programmes of both Cabinets introduced strategic thinking, the strategic guidelines set forth at the beginning of the Programme were not linked to the GSP or to Frame Budgeting. The GSP could be characterised as the collected strategic agendas of each ministry, while there was neither the will nor the courage among Cabinet members to prioritise the projects and to make selections. The Cabinet used Frame Budgeting mainly in the sense of spending limits, not in making strategic allocation decisions. As for the GSP at the departmental level, projects were suggested by top officials, and ministers only approved the suggested list. Frame Budgeting at the departmental level proved to be the most interesting strategic steering tool from ministers' viewpoint: they actively participated in defining which issues would need extra financing. Because the chances for extra financing were minimal, ministers had an effect only on a marginal share of the budget. At the departmental level, the study shows that strategic plans were considered the domain of officials. As for strategies concerning specific substances, there was variation in the interest shown by the ministers. A few ministers emphasised the importance of strategic work and led strategy processes. In most cases, however, officials led the process while ministers offered comments on the drafts of strategy documents.

The results of this study together with experiences reported in other countries and local politics show that political decision-makers have difficulty operating at the strategic level. The conclusion is that politicians do not have sufficient incentive to perform the strategic role implied by the NPM type of reforms. Overall, the empirical results of the study indicate the power of politics over management reforms.



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This study took place in many phases. In the first phase, from October 2001 to October 2003, I worked in a project financed by the Ministry of Finance and was able to build on the experiences of Markku Temmes and Markku Kiviniemi (my supervisors) at the Department of Political Science as well as on the insightful observations of Heikki Joustie in the Ministry of Finance. After this phase, I had difficulties with knowing how to proceed. Luckily, I had an enforced deadline in February 2006: the arrival of my first child. During the preceding nine months, I finally sorted out the contents of the thesis and wrote three of its chapters. The next phase began when I returned from maternity leave in January 2007, and it ended the following August when the manuscript was ready. The final phase, consisting of minor revisions, took place after receiving valuable comments from Geert Bouckaert and Ari Salminen during my preliminary examination.

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Helsinki 8 February 2008

Minna Tiili



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# 1 Introduction

Strategic political steering is a concept whose central idea is to capture the qualitative change that political leaders have to manage in countries that have gone through New Public Management -type (NPM) reforms. Since public management is intertwined with politics, it is not only administration but also political decision-makers who are affected by reforms in public administration. The focus of this study is on Government ministers who are the political heads of administration. The consequences of NPM-type reforms for political executives have not been analysed in depth (see, however, Zifcak 1994; Marsh *et al.* 2001; Peters and Pierre 2001; Pollitt and Bouckaert 2004). This study is inspired by the fact that little is known about how politicians adapt to these changes.

This study explores the qualitative change of political steering after New Public Management reforms from the point of view of Government ministers in a Finnish context. Administrative reform in Finland has followed the paths of NPM. The main reforms were implemented during the 'reform wave' between 1987 and 1995.<sup>1</sup> However, the study is neither solely about NPM nor does it aim at comprehensive understanding of the effects of NPM. The starting point is that the steering systems of the public sector have been reformed and Management by Results, or as it is currently expressed, performance management, is the new system replacing detailed budgetary steering. NPM and Management by Results (MBR), specifically, introduce a model whereby strategic decisions are made in the ministry and operative decisions are made in the agencies. Consequently, ministers as heads of ministries make strategic decisions, and the ministries' staff will be 'strategically-oriented' actors who advise them. Agencies have 'operative discretion' in the boundaries set at the strategic level. Thus, political steering and guidance consists of strategic decisions. However, politicians have not been very deeply involved in the process of MBR. Consequently, it is uncertain just how strategic steering is conducted.

In Finland, while the strategic role of ministers in their administrative branches has not taken place through MBR, other steering mechanisms, such as Frame Budgeting and the Strategy Portfolio of the Government have been developed as strategic tools. These mechanisms have not been developed, however, purely as tools for departmental strategic steering, but also to improve the Cabinet's strategic capacity and the management of cross-cutting issues. While the NPM model emphasises strategic steering of the sector, in the Finnish case it seems that the

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<sup>1</sup> In 1987, the Permanent Ministerial Committee for Public Management Reform was established and the following years entailed several reform programmes, giving rise to the concept of 'reform wave' of 1987–1995 (Temmes and Kiviniemi 1997). Subsequent Governments have continued the reform actions, focusing attention on regional administration and on the role of ministries and the Cabinet. Governments after 1995 faced a public administration reformed in the spirit of NPM. For that reason, it is legitimate to confine the 'NPM reform wave' to the period between 1987 and 1995.

strategic role of ministers has not been limited to the departmental role but extends also to the level of the Cabinet, implying a strategic approach to government. Interpreted broadly, the strategic approach is part of NPM's performance orientation, meaning that it permits the organisation to focus more clearly and consistently on its high-priority goals and leads to a more intensive pursuit of the results that are deemed to be of the greatest importance (Pollitt and Bouckaert 2004, 127). Finland is not exceptional in its tendency to strategic approach; similar efforts have been found elsewhere, notably in Australia, Canada, New Zealand and the UK (ibid.).

At the general level, the NPM model introduced a new role for ministers, that of strategist and opinion leader (Pollitt and Bouckaert 2004, 150). Ministers are expected to 'clarify and communicate visions and values, choose appropriate strategies and identify, allocate and commit resources at the macro-level' (ibid.). Professional managers, then, will take care of management and operations, and their performance is assessed against clear objectives and targets set by the ministers. Christopher Pollitt and Geert Bouckaert (ibid.), however, are sceptical about this new role. Ministers may not have the skills required nor the incentives to adopt the role suggested by NPM. Thus, there are some problems with this notion of ministers as 'strategic leaders' as suggested by NPM, whether it is a question of departmental role or of the collective role of ministers.

## 1.1 Background

This study started from the realisation that the subject of Government ministers had been neglected for a decade in Finnish political science and administrative studies. Ten years is not a very long period of time, but considering the changes that have taken place during the 1990s, the time span is quite significant. The most recent study of ministers was published in 1992 (Nousiainen 1992); its data extend only to 1987. Many milestones have changed the work of ministers since the 1980s.

For one thing, until 1983 Finland used to have Cabinets with rather short tenures. The Sorsa IV Cabinet was the first to survive the whole electoral period between 1983 and 1987. The four Cabinets that followed stayed in office during the whole electoral period. In 2003, the first female Prime Minister, Anneli Jäätteenmäki, had to resign only after two months in office.<sup>2</sup> However, her resignation had no effect on the composition of the Cabinet with the exception of Minister of Defence Matti Vanhanen who succeeded Jäätteenmäki. Meanwhile, Vanhanen's position was filled by another Member of Parliament. Thus, Cabinet durability has made it possible for ministers to have a real effect on their departments

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<sup>2</sup> She had to resign after it was found out that she had received classified documents from the advisor of the President of the Republic during the electoral campaign.

because they can be fairly confident of a four-year tenure. However, in 2005, the Social Democratic Party introduced a new feature in Finland: ministerial reshuffles. It remains to be seen whether reshuffles will be a permanent feature in Finnish political life.

The long period of the instability of Cabinets, dating back to the first Cabinets of independent Finland in 1917, has made it possible for the civil service to develop a very strong position in relation to its ever-changing political masters. This superiority of officials started to erode when their political masters gained new strength through the political stabilisation of Cabinets. While Cabinets between 1917 and 1983 lasted in office 1,1 years on average, Cabinets after 1983 have endured 3,4 years on average, with the short-lived Jäätteenmäki Cabinet lowering the average from a full four years. As regards the tenure of individual ministers, the situation has not changed as dramatically. Nevertheless, ministerial tenure has almost doubled: while between 1917 and 1983 the average minister stayed in office for 2,2 years, ministers between 1983 and 2007 survived 4,1 years.<sup>3</sup> Ministers who had long tenures before 1983, did not often spend long periods of time in the same ministry. Consequently, ministers nowadays have better chances than their predecessors to take full control of their departments although, quite a few have the energy or competence to govern the whole field.

That being said, another changes should be emphasised. It is often repeated that the world has become more complex and is constantly changing. In practice, for example, globalisation has made Finnish society and the Finnish economy more open. Decisions can no longer be made within the small, closed Finnish context. It is also important to note that all decisions are no longer made at the national level. In this respect one of the most striking changes as regards the work of ministers has been Finland's membership in the European Union (EU), beginning in 1995. The practical implications of EU membership and of internationalisation in general have been that ministers do not spend as much time in Finland as did their predecessors in the 1970s and 1980s. What all this suggests is that the 'advantage' ministers gained over bureaucracy when their chances of staying in office improved may be rather insignificant when compared to the increased workload and the complexity of working life. However, the number of political advisors to ministers has increased noticeably. In addition, nine state secretaries to the ministers were appointed in 2005 to answer the problem of ministers' workload and to strengthen political steering.

There are other changes that should be highlighted as well. It is evident that the relationship with the media and thus, the openness to the general public, have become crucial in the work of ministers. Also ministers themselves have changed. They are better educated, more often Members of Parliament and generally, more

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<sup>3</sup> The numbers were calculated (date: 19.4.2007) by author from *Ministeritietojärjestelmä*, a database containing information about all Finnish Cabinets and ministers since 27 November 1917. As regards the ministers, Kalevi Sorsa, Paavo Väyrynen and Ahti Pekkala were classified as ministers 'before 1983' because the majority of their time in office took place before Sorsa's fourth Cabinet.

experienced in politics than ministers were before the 1980s (Puoskari 2002a). While 80 per cent of ministers between 1983 and 2001 had an academic degree, in the period 1945–1972 the percentage was 61 (*ibid.*, 332). The percentage of parliamentarians has risen from 69 to 86 within the same period when non-party ministers are excluded (*ibid.*, 337). Similarly, when non-party ministers are excluded from analysis,<sup>4</sup> the percentage of ministers who had been members of both the Parliament and the local council and also had been in leading positions in their party organisations has risen from 26 per cent in the period 1945–1972 to 45 per cent in the period 1983–2001.

Furthermore, the relationship between the Cabinet and the Parliament has changed. First of all, the chances of the Government realising its policy in Parliament have improved as a result of the shift in 1992 from qualified majority to simple majority making it more difficult for the opposition to block the Government's intentions (see Mattila 1997). Secondly, the relationship between the Cabinet and the Parliament has become closer, since most of the ministers are parliamentarians themselves. Between 1983 and 2001, 84 per cent of all ministers had the experience of being a Member of Parliament (Puoskari 2002a, 337); in the Vanhanen Cabinet of 2003 all ministers were members of Parliament, while in Vanhanen's second Cabinet, all ministers had experience in Parliament and only one was not currently a member of Parliament.

One important aspect of change dates back to 1987. In 1987, the Holkeri Cabinet began its period in office and established a Permanent Ministerial Committee for Public Management Reform. Since 1987, public management reform was actively pursued, with the period until 1995 even being called the 'reform wave' (Temmes and Kiviniemi 1997) or 'reform industry' (Salminen 2001). Reforms made during this period (see Chapter 3.2) have had a profound impact on the administration, and also on the work of ministers themselves. It was not the reforms as such but the claim that ministers should, in this NPM-styled reformed administration, play a strategic role or provide strategic steering, that stood out when the present study was begun with the intention to explore Government ministers in contemporary Finland.

The reason why this aspect of change is not very familiar to the general public may be that in Finland, public sector reform is not a very hot issue. Administrative reform receives rather scarce attention from the media and the general public. It is mainly the bureaucrats themselves who are interested in what is under way. This study is relevant, however, not only to the small political elite and top officials but also to the general public by revealing one important view on policymaking, namely that of strategic political steering.

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<sup>4</sup> Between 1945 and 1972, there was a significant number of caretaker Cabinets, and overall, the number of non-party ministers was greater than today.

## 1.2 Outline of the study

First, a terminological explanation is in order to clarify the concepts used. The word 'government' here refers to the complete system of public administration, management and governance, including both political and administrative dimensions. 'Government' with capital 'G', on the other hand, refers solely to the ministers who collectively exercise political authority. Thus, Cabinet is used as a synonym for Government. In Finnish, the word 'Cabinet' is not used, reflecting the fact that all ministers are members of the Cabinet. In this study, the terms Cabinet and Government are used interchangeably (*hallitus*). To add to the terminological confusion, it should be mentioned that officially in the Finnish context, the Prime Minister and the ministers form the Council of State. In addition, distinction can be made between Government in the sense of executive and Government in the sense of the Council of State. In this regard, the former includes the latter plus the President of the Republic. The term 'Council of State' (*valtioneuvosto*) is not used in this study. In Finnish, the term *valtioneuvosto* can also mean the whole system of ministers and ministries. Another term that has gained academic popularity is the 'core executive' (e.g. Dunleavy and Rhodes 1990; Brady and Catterall 1997). This term is based on the view that the old institutional way of looking at political institutions is not enough; the web of relationships between different institutions and different actors must be taken into account. This study focuses on political executives, partly in the old institutional sense of the institution of Government ministers, but more importantly, in the new institutional sense of institutional rules (see Lowndes 2002). The analysis of the practices of strategic political steering involves analysis of rules that have to do with Cabinet decision-making, departmental strategy-making and budgeting, for example. Such 'institutions' are expressed through formal structures and official procedures, but also through tacit understandings and conventions (Lowndes 2002, 100). In other words, although this study is about the political institution of ministers, the actual focus as expressed in the research questions that follow is the practices of strategic political steering.

The general context in which this study is anchored has been presented above. The next section specifies the research questions as well as data and method. Chapter Two provides discussion about the central theoretical and empirical concepts used: NPM, strategy, strategic management as well as strategic steering. Chapters Three, Four and Five constitute the core of the study. Chapter Three provides analysis of the Finnish interpretation of NPM and the issue of strategic steering, seen through reform documents. Chapter Four continues the analysis of strategic steering by presenting the strategic tools and analysing their character based on the documents themselves and interviews with ministers and top officials. It also includes the analysis of the role of the Cabinet vis-à-vis the strategic tools. Chapter Five addresses the role that individual ministers play in their ministries. Chapter Six takes a look at the situation after 2003 when Programme Management was adopted. Finally, Chapter Seven presents the conclusions.

### 1.3 Research design

As most theses tend to be, this study has been a long process. Hence, ‘process tracking’ seems to be useful, clarifying also the research design. As mentioned, the first interest was in the subject of Government ministers in general, but soon the focus shifted to the issue of strategic political steering. Since the subject was on the agenda of Central Government Reform, it was natural for the Public Management Department of the Ministry of Finance to take an interest in the research. As a result, thesis work began in a research project financed by the Public Management Department of the Ministry of Finance. The project, in which the only researcher was the present author, began in October 2001 and continued until October 2003.

The first step to do, even before the subject of the research project emerged, was to read empirical work on Government ministers. Memoirs of Finnish ministers since 1980s were another starting point. Information about the ministers themselves, their education and other background factors was needed in order to construct a picture of a modern minister. This data extended partly to 1968 (Törnudd 1975), to 1972 (Yrjölä 1973) and to 1980 (Ojala 1982). Data on the education of ministers and the social position of ministers’ fathers were available up to 1988 (Tiihonen 1990). Consequently, it was necessary to explore the background characteristics of contemporary Finnish ministers. The results of this analysis, covering ministers in the years 1983 to 2001, were published in Puoskari (2002a) and Puoskari (2002b, 29–43).<sup>5</sup>

As already mentioned, the latest study of Finnish ministers was published in 1992 (Nousiainen 1992); there the institution of Government ministers between 1964 and 1987 was analysed. Somewhat newer interview data were used in Anna-Liisa Heusala’s Master’s thesis (1991) in which the author interviewed ministers in office in 1989. Thus, in addition to the background characteristics of ministers, there was a clear need for an up-to-date study of ministers in general. Since the beginning of this study, a major gap in research has been filled by Seppo Tiihonen (2006) whose book addressed both the issues of political leadership and operative management in the ministries. His approach was, however, mainly historical and theoretical while some of his empirical examples of political leadership in the ministries were adopted from interviews made for the present study, from published research reports (Puoskari 2002b and Tiili 2003).

The interest in strategic political steering emerged as a consequence of the author’s focus on administrative studies and the knowledge of the administrative reforms made in the 1980s and 1990s. The call for the strategic role of politicians seemed puzzling. It was not at all clear in the reform documents how such a role could be performed. Interviews with ministers themselves were considered necessary to gain knowledge of the empirical reality. However, before proceed-

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<sup>5</sup> Puoskari is the maiden name of the present author (Tiili since 2003).

ing to these interviews, it was thought that interviews with top officials would be extremely useful and provide the reverse side of the picture. Some preparatory work had to be done before officials were interviewed; this consisted of reading government reform decisions and background memos, budget documents, documents relating to the Government Strategy Portfolio and to the Government Programmes. The first round of interviews was conducted between January and March 2002, complemented by one interview in June. Fourteen top officials, representing every ministry, were interviewed.<sup>6</sup>

These interviews were analysed together with the documentary data, and the results of this first phase of study were reported to an audience that consisted mainly of practitioners and reformers of administrative practices. The research report was published in Finnish by the present author (Puoskari 2002b).

The second phase of interviews was conducted after the first report had been completed. Fourteen interviews were again conducted, this time between January and August 2003, with ministers in office or ex-ministers who had recently been in office for a longer time than those currently in office in the respective ministries. The goal was to be able to interview ministers from all ministries, but because of some refusals, these fourteen ministers do not represent all ministries. This issue and the interviews in general are addressed in Chapter 1.3.2. The results of these interviews were reported and published in Finnish (Tiili 2003).

After finalising these reports, which were produced as part of a research project financed by the Public Management Department of the Ministry of Finance, it was possible to focus on the thesis study from November 2003 to January 2006 and to finalise the research in 2007. The aim was to be able to take advantage of the efforts made since the end of 2001. No further interviews were conducted since 2003. The reform documents were analysed again, more systematically, and some missing documents were purchased. The interview data were analysed once more from the point of view of strategic political steering.

### **1.3.1 Research questions**

The research problem is as follows: To what degree have Finnish ministers been able to provide the strategic political steering suggested by the reform rhetoric since 1987? Specifically, while it seems that a strategic role has not been performed through Management by Results with which it was introduced in the first place, in what context were ministers assumed to provide strategic political steering and to what degree did they in fact provide it?

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<sup>6</sup> The fourteenth person had previously worked in the Ministry of Finance, meaning that there were two interviewees from that ministry.

This research problem can be divided into three questions, with the above starting point:

1. What kind of role does NPM promote for politicians, especially for ministers?
2. What has been the Finnish interpretation of the role of ministers in administrative reforms since 1987?
3. How has this role been carried out in Finland between 1995 and 2003?

The first question is mostly theoretical and is needed in order to understand the Finnish discussion about the role of politicians in the reformed administration. However, as the NPM model focuses on the role of ministers in their departments or sectors, the second empirical question about the Finnish interpretation of the role of ministers broadens the discussion to the Cabinet level as well. The second question is analysed in Chapter Three, based on documentary analysis of Government resolutions, working group memos and other administrative reform documents. The answer to the second question informs the third question, which is also empirical. This 'how' question is answered with the help of interview data as well as with documents that have to do with strategic steering. Analysis involved both the Cabinet level and the departmental level. The Cabinet level is addressed in Chapter Four combined with the general analysis of strategic tools while the departmental level is dealt with in Chapter Five.

The time span of the study is two-fold. The reforms of public administration inspired by NPM were studied since 1987 from the point of view of strategic political steering, but the actual practices were studied only since 1995. The year 1987 is firmly established as the starting point of the study in the context of Finnish administrative reforms because in 1987, the Permanent Ministerial Committee for Public Management Reform was established, and the years following entailed several reform programmes. Although the reform agenda is traced back to 1987, it is reasonable to assume that the consequences of reform talk and action are not apparent until some years have passed. Management by Results, which was the first reform to launch the idea of the strategic role of ministers, was implemented between 1988 and 1995. Other tools of strategic steering, Frame Budgeting and the Government Strategy Portfolio, were introduced later, Frame Budgeting first in 1991 and the Strategy Portfolio in 1995. However, between 1992 and 1995, Frame Budgeting was purely a tool to cut expenses under the pressure of economic recession so that the focus on the years after 1995, when experiences of the Portfolio started to accumulate, is reasonable. Consequently, the practices of strategic steering are studied only after the Cabinet change in 1995. The time span of the study ends in 2003. Thus the two Lipponen Cabinets are covered, with emphasis being on the latter, the period between 1999 and 2003.

Strategic political steering as a phenomenon did not end in 2003. The Cabinets of Jäätteenmäki and Vanhanen introduced the Programme Management approach, which highlighted the importance of political steering and the need to

focus on strategic issues. While this study is based on the situation before Programme Management, it is possible that the results would no longer be same if this research were conducted as a follow-up. However, thanks to Petri Eerola's comprehensive report on Programme Management (2005), we have a preliminary understanding of its effects. Comparisons between the primary data in this study and Eerola's findings are presented in Chapter 6 as a separate entity, 'Reflections on the years 2003–2007'.

### 1.3.1 Data and method

The method of the study is a combination of documentary analysis and interviewing. Previous studies are also used as secondary sources. Ministerial memoirs are also analysed but their relevance remains small.

The documentary analyses consisted of two different sets: analysis of reform documents and analysis of documents related to strategic steering tools. Reform documents include the programmatic declarations of the Governments between 1987 and 2003 as well as the more concrete reform documents and working-group memos that prepared the reform action (see Appendix 1). In fact, working-group memos are an important forum for 'reform talk', and they reflect the ideas in the background discussions, while the Government decisions are more abstract. These kinds of documents provide an understanding of the goals of the reforms; they describe desired results, not the way things were at the moment of publication. Thus, these documents help in answering research question 2: 'What has been the Finnish interpretation of the role of ministers in administrative reforms since 1987?'

Analysis of documents related to strategic steering tools helps in answering research question 3: 'How has this role been carried out in Finland between 1995 and 2003?' In Chapter 4, the combination of documentary analysis and interview data constructs an overview of strategic steering practices and is a prerequisite to Chapter 5, where the role of ministers in their ministries is analysed, based on interviews. Analysis of the documents related to strategic steering tools covers Government Programmes of the Lipponen Cabinets, budget frame decisions from 1995 to 2002 and Government Strategy Portfolios since their introduction at the end of 1995.

One of the obvious sources of documentation on ministers' work are ministerial memoirs, but unfortunately, ministers rarely describe their actual work in the ministry and in the Cabinet nor do they often refer to the politico-administrative relationship.<sup>7</sup> Of these 93 ministers who were in office between the years 1983 and 2003, 24 have published, as of January 2007, an autobiography or a biography that

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<sup>7</sup> Another source would be memoirs of top officials but unfortunately, they are rare. Worth mentioning are: Hannus, Arno. 1979. *Virkamiehen näkökulmasta*. Porvoo: WSOY. Korte, Kai. 1992. *Ministerit tulivat ja menivät*. Jyväskylä: Gummerus.

tells at least something about being a minister. All memoirs are not pure ministerial memoirs and only a few provide relevant information about ministers' and Cabinets' work. The memoirs were read through or at least scanned if they did not tell directly about being a minister. Notes were made about relevant points. Citations are used when they add to the interview data. The memoirs read are listed in Appendix 2 and those used in citations are included in the references.

Neither documents nor ministerial memoirs provide enough data to address the research questions fully. The interview method was estimated to be the most convenient way to obtain information about the practices of strategic steering, because it is not possible to observe or to shadow ministers (cf. Marsh *et al.* 2001, 3). Another option would have been a survey, but it seemed unlikely that ministers would answer survey questions, at least not by themselves. Using the survey would probably have meant that the group of informants would have consisted mainly of civil servants, and the views of ministers could not have been used because of low response rate. It was also determined that the interview situation with open questions would elicit more relevant information from the point of view of research interest than would a questionnaire.

The interview data derive from 28 interviews, half of them with top officials and half with ministers. It was a coincidence that as many ministers as officials were interviewed, a result of the refusals of some ministers to participate. The interviews were semi-structured, and they were recorded and typed. The selection of the interviewees and the interview method and analysis of the data are explained below.

## Interviewees and their selection

Fourteen top officials were interviewed as well as fourteen ministers. The interviewees are presented in Appendix 3. Half of the top officials were permanent secretaries. The officials were interviewed between January and March 2002, supplemented by one further interview in June. The ministers were interviewed a year later, between January and August 2003, most being interviewed by April. Most of the ministers were in office at the time.

The research problem was such that it was important to be able to interview both ministers and officials. Thus, it was natural to start with officials to whom it is easier to gain access. Once the first round of interviews with officials had been analysed, it was safer to approach ministers, a consequence of the characteristics of elite interviewing. In addition, it is probable that ministers felt more obliged to answer the interview request since their permanent secretary or other top official had already participated in the study (the first research report was sent with the request) and perhaps to prevent only the point of view of officials being included in a study that focuses on ministers' work.

The interviews for this study can be described as elite interviews or expert interviews. Often the most critical phase of the elite interview is the interview request itself. Naturally, interviewing requires approval on the part of the inter-

viewee. Consequently, special attention was paid to formulating the request letter. The request was sent in written form. Opportunity was given to the interviewees or their secretaries to make an appointment, but it was noted that the researcher would call by a given date to arrange the potential interview. In the case of the officials, arranging the interviews was easily accomplished. With ministers, however, it was not as simple, because it took time for the secretaries to get a minister's approval or refusal. However, once a minister approved, it was not difficult to arrange a time for the interview because of the researcher's flexible timetable. Only the fact that not all ministers were able to reserve the whole hour for the interview as requested was problematic.

The choice of who was to be selected for the interviews was quite simple because interviewees had to be either ministers or officials working with them. In terms of 'sampling', 'purposeful selection' or 'criterion-based selection' (Maxwell 2005, 88) were the guidelines. Both officials and ministers were to be in office at the time the interviewees were selected or needed to have been in office recently. Another criterion was experience: interviewees should not be newcomers. In the case of officials, it was important that there should be a representative of every ministry in order to obtain an overview. The limitation of only one researcher to conduct the study confined the number of interviewees to only one per sector. Thus, it was extremely important that the chosen interviewee would be an expert on the issue studied. The selection was not made so much by the researcher who had no such information but with the help of discussion with supervisors and a representative of the Public Management Department of the Ministry of Finance. This discussion provided a list of possible interviewees from whose names the researcher made the final choices. Only one interviewee was not on the list as the person who was originally selected, recommended another official in his ministry, who, in that person's view, was more competent to answer the questions given. This case showed that the expert selection method worked; at least one would suppose that if other interviewees had felt incompetent, they would have recommended other persons. This feeling of incompetence would have been easy to discover, since the interview themes and specific questions were provided in advance with the request letter. In the interview situation, it was evident that all interviewees had expertise on the questions studied. In addition to these thirteen representatives of each sector, one supplementary interview was made later, to be able to weigh up the criticism of the Ministry of Finance. The interviewee in question had recently worked as a Budget Director in the Ministry of Finance.

In the case of ministers, the basic principle was the same as with officials, namely that they should be in office at the time of the interview. Because ministers come and go more often than officials, it was not reasonable to interview the entire Cabinet currently in office because some of the ministers had experience of ministerial work for only a short time. The researcher decided to request interviews from ex-ministers in cases where the preceding minister had held the office

longer than the current one.<sup>8</sup> Twenty ministers were asked for an interview, and some refusals were anticipated. The request letter was sent in January 2003 to sixteen ministers then in office, including the Prime Minister, and to four ex-ministers who had left office between January and June 2002. Six ministers refused to be interviewed. Some did not provide any particular reason, while others appealed to their busy schedule. Some also stated that the interview questions were so extensive that they would require perhaps much more time to consider that a minister could spare. The most important refusals were the Prime Minister, the Minister of Finance, the Minister in the Ministry of Finance responsible for public management reform and the Minister of Foreign Affairs. The refusal of the Minister who had been head of the Ministerial working group that steered Central Government Reform was a particular disappointment. However, it seems that such refusals are not exceptional; an in-house civil servant who conducted thesis research on strategy in the Ministry of Finance was refused access to these same ministers in the Ministry of Finance and only the Minister of Finance provided a 'correct excuse' of lack of time (Määttä 2005, 65 note).

As mentioned above, the interviews with top officials cover all sectors of government. The ministers, however, do not represent all the sectors because of the refusals. Notably, the Ministry of Finance and the Ministry of Foreign Affairs are not represented by ministers in office at the time of the interview. The Ministry of Finance would have been especially relevant from the point of view of this study, but fortunately, there are two interviews with officials who represent this ministry. In addition, one of the ministers interviewed had previously been appointed to a position divided between the Ministry of Finance and the Ministry of the Interior, and the interview concentrated on this period in office, the time between 1995 and 1999. Also in the case of the Ministry of Foreign Affairs there was one minister who had previously acted as a Minister for Foreign Trade and Development, but he felt it was more difficult to speak of that Ministry in terms of strategy work. Overall, many of the ministers interviewed had been working in more than one ministry. This resulted in over-representation of the Ministry of Education with the Minister of Education in office and the previous minister who preferred to speak of that ministry instead of the Ministry of Transport and Communications. The Ministry of Transport and Communications was, in turn, covered because of the preference of the minister who had experience in both that ministry and the Ministry of Foreign Affairs. An interview with the Prime Minister was not possible, but he did comment on one supplementary question through e-mail.

In the case of politicians, the representativeness of the interviewees from the point of view of party affiliations is equally important. During the time span of the study, between 1995 and 2003, there were five parties in both Lipponen Cabinets, and in addition, one minister without party affiliation. As regards realised

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<sup>8</sup> Interviewed ministers had been in office 4,8 years on average. Ville Itälä had the shortest experience with two years and seven months while Jan-Erik Enestam had been eight years and six months as a minister.

interviews, the party composition is representative of the two Cabinets studied. There were five representatives of the Social Democratic Party (SDP) as well as five from the National Coalition (KOK). The smaller parties were represented by one interviewee, that is, the Swedish People's Party (RKP), the Green League (VIHR) and the Left Alliance (VAS). In addition, one of the ministers interviewed had no party affiliations.

The ministers interviewed were in office mainly between 1999 and 2003, six of them also between 1995 and 1999, and some in addition in the 1991–1995 period, but all had been in office in the 1999–2003 period. In terms of the Cabinets studied, six of the fourteen ministers had experience in both of Lipponen Cabinets (Lipponen I between 1995 and 1999 and Lipponen II between 1999 and 2003), so the ministers' descriptions mainly apply to the second Lipponen Cabinet. However, as these Cabinets were quite similar as regards their party composition, there should not be great differences between the internal dynamics of the two Cabinets.

## Interview method

The interviews in this study can be described as elite interviews. In elite interviewing, there are various techniques that can be used to improve the quality of answers (see e.g., Mykkänen 2001). One of the techniques is to formulate the interview questions carefully to be able to increase the concreteness of the answers, to avoid generalisations and to obtain answers to uncomfortable issues (*ibid.*, 121). In addition, the interview should be carefully planned, yet allow flexibility (*ibid.*, 119). A semi-structured interview with flexibility seemed to fulfil these conditions, especially because elite groups often want to see the questions in advance to decide whether they will accept the interview request. Furthermore, the time available for the interview is usually limited so that pre-determined questions help to collect all relevant information and to use the interviewee's time efficiently.

Thus, the interviews for this study were semi-structured, but not in a strict sense. Basically, a semi-structured interview has a sequence of themes to be covered as well as suggested questions (Kvale 1996, 124). However, the sequence and the wording of the questions do not need to be inflexible, but the interviewer can follow up the answers given and the stories told by the interviewees (*ibid.*). The interview guide (see e.g., Patton 2002, 343–344) was carefully planned and the wording of the questions was prepared in advance. The goal was to cover all topics with every interviewee, a goal achieved almost without exception. However, the nature of the interview did not require presenting the questions to every interviewee in the same order or with the exactly same wording. Moreover, because the questions concerned an elite group, the interviewees could potentially have become irritated if the wording did not match their context. Thus, the wordings of questions were 'personalised' whenever necessary. The interview questions differed between civil servants and ministers because both were asked about ministers although the issues covered were similar. In addition, interview questions were modified from

their general framework for representatives of the Prime Minister's Office and the Ministry of Finance. The questions are presented in Appendix 4.

The content of the question list is somewhat larger than the issues covered in this study. However, some questions provided important background information, even though they did not have direct relevance for the present study. Interviews were conducted as part of the research project explained in Chapter 1.3. It must be noted, however, that the researcher aimed at thesis work and the interview questions were designed to help answer the research problem in the thesis. In qualitative research, research questions are often fully developed only after a significant amount of data collection and analysis have taken place (Maxwell 2005, 65), as is the case here.

The semi-structured interviewing format allowed for changing the sequence of questions as well as for presenting additional questions and these advantages were put to good use. Usually, the interview started with the warm-up questions included at the beginning of the interview guide. These questions were not, however, particularly easy. Rather, as Juri Mykkänen (2001, 121) has advised for elite interviewing, they were intended to initiate the interview with questions that did not touch on uncomfortable issues. Overall, the question order was not always followed, partly because answers given by the respondents led to other topics or because of considerations on the part of the interviewer. Complementary questions were also presented when clarification was needed or when the interviewer wanted to check whether there was more to the issue than the answer had revealed. Some additional comments or questions were also presented in order to convince the interviewee of the researcher's acquaintance with the research subject to avoid standard answers.

The duration of the interviews with officials varied from 45 to 90 minutes. An average interview lasted a little more than an hour. The interview questions were available beforehand, and it seemed that all interviewees had taken some time to think about their answers. Ministers were asked to reserve an hour for the interview, but two ministers could make only half-hour appointments, probably because they knew in advance that, for them, no more time would be needed. The average duration of the interview was 45 minutes because many of the ministers were behind schedule and could not give the whole hour that had been allotted. However, in most cases the time available seemed sufficient. Of course, in the shortest interviews, there was not much time for informal discussion and complementary questions could not so easily be asked. Also, because the ministers had the question list in advance, many had prepared answers, such as giving their view of the problems of being a minister or of the problems of the discussion culture in the Cabinet.

Interviewees were generally well motivated, although sometimes it seemed that the interview was seen as just one task among others that had to be performed. In such cases the quality of the answers was not the best possible. Interviews took place in the interviewee's office, rarely in a meeting room of the ministry. Normally, there were no distractions. It seemed that ministers were better protected from distractions than officials.

Because the interviews were recorded, the interviewer could focus on listening and thus, it was easier to present complementary questions. Recording helps in controlling the interview situation (Mykkänen 2001, 122) and in general, makes it easier to react to the situation. For example, if some issue has already been covered during an answer to an earlier question, the interviewer can ask for elaboration. The interviewer did not present many of her own comments and when she did, the comments reinforced what the interviewee had said. Overall, the interviewer's role was a background one, consisting of nodding her head and making positive sounds to encourage the interviewee to continue. Certainly, the interviewees were not shy individuals who needed much encouragement, yet they did need confirmation that they were addressing the issue of interest.

The question of anonymity was different as regards civil servants and ministers. When officials were asked for an interview, they were promised that they would not be recognised. This promise meant that in the research report, the ministry in question could not be mentioned without the interviewee's approval. Where ministers were concerned, it was assumed that it would be more difficult to ensure anonymity. Thus, when the interview request was presented, it was asked whether it would be possible to refer to the name of minister in the research report, provided that the minister approved the citation to be used. None of the ministers who agreed to be interviewed had any difficulty with this request. When the research report was prepared, the citations and their contexts were presented to the ministers, and all approved the citations with only minor modifications, mostly in the nature of language editing. This approval also provides a kind of respondent validation (e.g. Silverman 2001, 233); because the citations were provided in a broad context, the interviewees could have protested if the researcher's interpretations were wrong. However, in this thesis, ministers are not referred to by name. Interviews with officials are designated with 'an official' and those with ministers, 'a minister'.

For the ministers, the lack of anonymity probably did not affect any of their refusals because ministers are used to being in the public eye and expressing their views publicly. However, it is possible that the ministers did not express themselves quite as freely as had they been promised anonymity. The majority of the interviews were conducted before the parliamentary elections or right after, when the ministers did not yet know whether they would continue in their ministerial positions. Thus, they might have felt some 'level of protection' regarding what they said. In practice, nevertheless, it seemed that most ministers expressed themselves quite frankly without engaging in 'window dressing', that is, trying to present themselves and the Cabinet in a favourable light. Hence, the likelihood of bias is probably not much more significant than in those interviews that guaranteed anonymity.

In elite interviewing, the expertise of the researcher is a critical issue if the confidence of the interviewees is to be won and if more than stereotyped responses are to be elicited (see Mykkänen 2001). The interviewer's expertise was enhanced by reading as much as possible before the interviews. The knowledge

acquired before interviewing was important for establishing credibility, especially since the interviewer was a young woman. In preparing and revising the interview questions help of professors was critical as was the assistance of the representative of the Public Management Department of the Ministry of Finance. Another important factor was that the interviews were carried out in two phases so that the experiences from the first round of interviews conducted with officials, could be utilised in preparing the second round, namely the questioning of ministers. In the interview situation with ministers, the experience gained from interviews with officials was extremely useful.

Interviewer's expertise and credibility can improve the quality of answers, but there are also some techniques that can be used. In general, the use of the semi-structured interview is one such technique, as explained above. In addition, it may be valuable to present interview questions in advance as was the case in this study. In elite settings, the researcher is more likely to get answers to the questions he or she presents when the interviewee has taken time to think about the answers (Mykkänen 2001, 121). In addition, it is more likely that the researcher is in control of the interview situation and the interviewee's agenda does not intrude (*ibid.*).

To evaluate the success of the interviews, it must be mentioned that the interviewer had had only a single rehearsal interview with a Member of Parliament during her Master studies. Thus, these interviews were practically the first she had conducted, so that the interviewing experience could have caused problems. However, the interviewer had been involved with expert interviews made by an experienced professor during work on her Master's thesis. Thus, interview situations were familiar. An assessment of the 28 interviews made for this study is quite positive. Two of the interviews were not very rewarding because of the short time available. In one case, a strong personality was able to dominate the interview situation and produce more or less stereotyped answers. The other interviews were more conversational and under the control of the interviewer. Thus, overall, the inexperience of the researcher as an interviewer probably did not produce much damage, since it is natural that an interviewer is not able to elicit equal amounts of information from every interviewee. A more experienced interviewer might have asked more complementary questions, but the risk there is that the nature of the interview could have changed too much had the interviewer been very active. In addition, because of the time limitations, not every issue could have been covered in every interview.

## Analysis of the interview data

The interviews were recorded and transcribed word-for-word. This resulted in 256, single-spaced pages of interview transcripts. The analysis of the interview data was made easier by the data being acquired in two phases, with the analyses conducted separately for officials and for ministers respectively (Puoskari 2002b and Tiili 2003). In the final analysis for the thesis, the data was analysed again in order to achieve synthesis.

During the interviews and the transcriptions, all made by the researcher herself, certain impressions emerged. These impressions were, however, coincidental and often some view was overemphasised. When the data were on paper and could be read, these first impressions were moderated and systematised. The actual systematic analysis began during the encoding of the data.

Before explaining the method of analysis and the principles of coding, a more fundamental observation about the basic premise of the interview method and the analysis of the interview data is in order. In this research, it is agreed that humans are 'interpretative beings' (Richards and Smith 2004, 781), which means that interviewees will tell the interviewer something that is their interpretation. To analyse the interview data the researcher needs to interpret what they told. Thus, although this study does not place language at the core of the analysis, the post-modern argument that 'facts can neither speak nor write and cannot, therefore, speak for themselves' (Frederickson and Smith 2003, 138, referring to Farmer<sup>9</sup>) is acknowledged. 'Facts' are inevitably a result of interpretation and the 'informants' provide their interpretation as well as their opinions and attitudes.

Michael Patton has argued (2002, 453) that there are no precise or agreed-upon terms for different varieties of qualitative analysis. Content analysis, for example, is quite an elastic concept. According to Patton, content analysis usually refers to analysing text, e.g., interview transcripts, but '[m]ore generally, however, content analysis is used to refer to any qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings' (ibid.). Content analysis usually leads to patterns or themes. Patterns usually refer to descriptive findings, while a theme is a more categorical concept (ibid., 453).

Content analysis is, however, a dangerous concept, as it connotes to many people a quantitative analysis of qualitative data, and thus, is a quite rigid way of analysing texts. According to Patton's terminology (ibid.), it can be said that the method of data analysis used in this study is content analysis aimed at descriptive findings, namely, patterns. Patton emphasises inductive analysis in finding patterns, themes and categories in data. In deductive analysis, on the other hand, data are analysed according to an existing framework (ibid., 453). However, qualitative analysis is rarely purely inductive: rather deductive and inductive approaches are intertwined or used sequentially. In this study, a deductive approach was used to begin with, which provided a framework of themes that needed to be addressed in the interviews. This framework was not, however, derived purely from theoretical accounts but also from empirical analysis of reform documents and from common-sense or written knowledge of the issue under consideration. When the analysis of interview data begun, a deductive approach was dominant, in the sense described by Patton, that is, data were analysed according to an existing framework. In practice, the analysis followed the issues raised in interview questions,

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<sup>9</sup> Page 18 in Farmer, David John. 1995. *The Language of Public Administration: Bureaucracy, Modernity, and Postmodernity*. Tuscaloosa (Ala.): University of Alabama Press.

informed by the above-mentioned ‘ingredients’. The researcher was, however, also open to inductive analysis, having realised that the data can tell more than the framework would suggest. This combination of deductive and inductive analysis happened in practice through encoding the interview transcripts.

Coding is the main strategy used for categorising in qualitative research (Maxwell 2005, 96) and thus is one of the basic tools of qualitative researchers (see e.g. Eskola and Suoranta 1998). However, somewhat confusingly, coding also refers to grounded theory, which is not used in this study. Coding was conducted with the help of specific software, namely ATLAS.ti.<sup>10</sup> The programme provides more options than were used in this study in which the software was simply a facilitator of the coding. Formally, coding can be defined as demarcating the segment of text and naming that segment with a code chosen by the researcher (see e.g. Moilanen 2001).<sup>11</sup> At the simplest level, coding results in prints of all the occurrences of the same code. Similar coding could have been done with the help of the copy-and-paste functions of any word processor; and some researchers still prefer paper prints, scissors and index cards so that the use of software is by no means necessary, but it does help a great deal in managing the data.

Because different authors use different terminology, it is quite difficult to explain what has been done during an analysis without causing misunderstandings. Comparing Patton’s terminology above with Joseph Maxwell’s (2005, 97), it could be stated that finding patterns, that is, descriptive findings (Patton 2002, 453), was part of identifying ‘organisational’ categories, which refers simply to identifying topics rather than categories. It was within these topics that the patterns were identified. Basically, organisational categories function as ‘bins’ for sorting the data for further analysis (Maxwell 2005, 97). However, a more sophisticated analysis also requires ‘substantive and/or theoretical categories’ (ibid.). These can be subcategories of organisational categories, but they are not generally subcategories that the researcher could know in advance to be significant. Substantive categories are primarily descriptive, including descriptions of participants’ concepts and beliefs, while theoretical categories place the coded data into a more general or abstract framework (ibid., 97–98). As regards the deductive-inductive phases of the analysis described above, the deductive phase equates with identifying organisational categories, while the inductive phase is associated with the development of substantive categories. Both categories can be identified during the coding phase of the data, if coding is understood more broadly than being purely a technical procedure.

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<sup>10</sup> Although the developer of the ATLAS.ti programme was inspired by the method and thus many of the basic ideas of grounded theory are reflected in it, the use of the ATLAS.ti is not bound to that method (Lonkila and Silvonen 2002).

<sup>11</sup> In defining the area related to the code, it is important to include also the question or other text segment leading to the answer defined by the code. This may be necessary when answers are interpreted and patterns identified. This was not understood immediately when coding began but it was relatively easy to correct later.

## 2 Conceptual and theoretical issues about New Public Management and strategic management

This chapter presents the concepts needed in order to understand strategic political steering in post-NPM situation. Naturally, the discussion begins with NPM. Secondly, since political steering in the NPM model is strategic in nature, it is necessary to explore strategy-related concepts. The chapter closes with a discussion of the connectedness of NPM, strategic steering and strategic management. The empirical content of strategic political steering is analysed in the following chapter in the context of Finnish administrative reforms.

### 2.1 New Public Management

New Public Management, or NPM, is one of the catchwords of the last 15 years in administrative studies.<sup>12</sup> The present study does not aim at providing yet one more account of New Public Management. Instead, the analyses already made are used in order to understand the context of Finnish administrative reforms and especially the role of strategic steering in these reforms. Chapter 2.1 presents the origin and contents of NPM in brief and discusses some of the criticisms levelled at it. Chapter 2.3 returns to NPM and addresses the problem of strategic steering in NPM.

#### 2.1.1 NPM: origin and contents

NPM has proved to be useful shorthand for the group of ideas that dominated the administrative reform agenda in the OECD countries since the late 1970s (Hood 1991, 3–4). In the 1990s, discussion around NPM moved to a more critical phase and in the 2000s, academic discussion is formed around concepts like ‘Neo Weberian State’ (Pollitt and Bouckaert 2004) and governance. However, Christopher Pollitt (2003, 49) observes that NPM is by no means ‘over’. For example, in Japan, reforms at the beginning of the new millennium were explicitly inspired by NPM. Even in the pioneering Anglo-Saxon countries, ‘the NPM-ish inheritance of the past decade and a half is not being seriously challenged’ (ibid.). Overall, much of what happens in public administration even today can be characterised as ‘NPM-ish’.

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<sup>12</sup> According to Christensen and Lægreid (2003a, 18), New Public Management as a label for administrative reforms was first used by Hood (1991), but in the same volume, Sahlin-Andersson (2003, 51) refers to Hood’s earlier article in 1990: ‘De-Sir Humphreyfying the Westminster Model of Bureaucracy: A New Style of Governance?’ in *Governance* 3:2, 205–214.

The first practitioners of NPM emerged in the UK under Prime Minister Margaret Thatcher and in the municipal governments in the US (e.g., Sunnyvale, California) in the late 1970s and early 1980s (Gruening 2001, 2). The governments of New Zealand and Australia were next to join the ‘movement’. These countries had suffered from severe economic recession and tax revolts, and NPM seemed to be the miracle drug. Consequently, NPM administrative reforms rose to the agenda of most OECD countries (ibid., 2). However, NPM as a classification of the content of these reforms was invented later so that the original reformers did not know they were ‘doing NPM’ (cf. Christensen and Læg Reid 2003a, 18).

There are certain components that characterise NPM in general. In his much cited article, Christopher Hood has collected the doctrinal components of NPM. The content of these doctrines is best summarised in Table 1, adopted from Hood (1991, 4–5). Hood emphasises that all these seven doctrines were not equally present in every OECD country adopting NPM, nor are they necessarily fully consistent, partly because they are not based on any single idea or theory (ibid., 4).

**Table 1 Doctrinal components of NPM, adopted from Hood 1991, 4–5.**

<b>Doctrine</b>	<b>Meaning</b>	<b>Typical justification</b>
1. <i>‘Hands on professional management’</i> in the public sector	Active, visible, discretionary control of organizations from named persons at the top, ‘free to manage’	Accountability requires clear assignment of responsibility for action, not diffusion of power
2. <i>Explicit standards and measures of performance</i>	Definition of goals, targets, indicators of success, preferably expressed in quantitative terms, especially for professional services	Accountability requires clear statement of goals; efficiency requires ‘hard look’ at objectives
3. Greater emphasis on <i>output controls</i>	Resource allocation and rewards linked to measured performance; break-up of centralized bureaucracy-wide personnel management	Need to stress <i>results</i> rather than <i>procedures</i>
4. Shift to <i>disaggregation</i> of units in the public sector	Break up of formerly ‘monolithic’ units, unbundling of U-form management systems into corporatized units around products, operating on decentralized ‘one-line’ budgets and dealing with one another on an ‘arms-length’ basis	Need to create ‘manageable’ units, separate <i>provision</i> and <i>production</i> interests, gain efficiency advantages of use of contract or franchise arrangements <i>inside</i> as well as outside the public sector
5. Shift to greater <i>competition</i> in public sector	Move to term contracts and public tendering procedures	<i>Rivalry</i> as the key to lower costs and better standards
6. <i>Stress on private-sector styles of management practice</i>	Move away from military-style ‘public service ethic’, greater flexibility in hiring and rewards; greater use of PR techniques	Need to use ‘proven’ private sector management tools in the public sector
7. Stress on greater <i>discipline</i> and <i>parsimony</i> in resource use	Cutting direct costs, raising labour discipline, resisting union demands, limiting ‘compliance costs’ to business	Need to check resource demands of public sector and ‘do more with less’

At a more concrete level, Gernod Gruening (2001, 2) has compiled a list of the characteristics of New Public Management. The characteristics that most observers include, according to Gruening, contain budget cuts, vouchers, accountability for performance, performance auditing and privatisation. The list of these undisputed characteristics also embraces customers (one-stop shops, case management), decentralisation, strategic planning and management, separation of provision and production, competition, performance measurement, changed management style, contracting out, freedom to manage (flexibility), improved accounting, personnel management (incentives), user charges, separation of politics and administration, improved financial management and finally, more use of information technology.

Another term coined in connection with NPM is (new) managerialism (e.g., Zifcak 1994). New managerialism emphasises the managerial aspect of NPM. However, NPM cannot be understood without reference to public choice theory, which views the government from the standpoint of markets and customers. According to Hood (1991, 5–6), NPM can be seen as ‘a marriage of opposites’, opposites being the ‘new institutional economics’ and business-type ‘managerialism’. The content of the new institutional strand is more familiar under the label of public choice. Kirsi Lähdesmäki (2003, Chapter 2) has analysed the theoretical origins of NPM, focusing on public choice and managerialism, emphasising that managerialism is based on older ideas, especially on Taylorism, in other words, on principles of scientific management (ibid., 49). Consequently, despite the prefixes ‘new’, New Public Management and new managerialism are not really new ideas. To a large extent, NPM is based on a ‘repackaged version of ideas’ and thus, its development has to be understood in relation to the ‘old’ public management of the 1960s (Saint-Martin 1998, 320, referring to Hood<sup>13</sup>). Therefore, the newness of NPM can best be understood as a reaction to the bureaucratic way of organising public services; it signals a new way of managing, which breaks with previous traditions (Sahlin-Andersson 2003, 57–58; Lähdesmäki 2003, 59).

### **2.1.2 Not the same NPM everywhere**

As shorthand, NPM has been perhaps too easy a label for different reforms in different countries. NPM is by no means a coherent whole, adopted identically in all countries. This is evident in a comparative analysis made by Pollitt and Bouckaert (2004). Their analysis included twelve countries. Although there is not one single route followed in every country, some trends and partial patterns can be identified (ibid., 96). There are different emphases among the twelve countries

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<sup>13</sup> Page 268 in Hood, Christopher. 1996. Exploring Variations in Public Management Reform of the 1980s. In (eds.) Hans A. G. Bekke, James L. Perry and Theo A. J. Toonen, *Civil Service Systems in Comparative Perspective*. Bloomington: Indiana University Press.

analysed. In a categorisation made by these authors (*ibid.*, 96–98), Germany is placed alone as adopting a conservative strategy of ‘maintaining’<sup>14</sup> while Belgium, Finland, France, Italy, the Netherlands and Sweden have been more adventurous and can be called ‘modernizers’. The third group consists of the core NPM countries, namely Australia, New Zealand and the UK, called ‘marketizers’. Canada and the US are more difficult to classify, but Pollitt and Bouckaert (*ibid.*, 98) end up attaching the US to the core NPM countries, although it may be that the US has not always been a marketizer ‘in deeds’, only in words. Canada too, shared much of the marketizing rhetoric of Thatcher and Reagan in the 1980s but did not go far in implementation.

The groups of modernizers and marketizers both acknowledged the need for fairly fundamental changes in the way the administrative system was organised. Yet while modernizers still believed in the large role of the state, marketizers were keen to introduce more competition and market-type mechanisms within the public sector, blurring the borderline between public and private (*ibid.*, 97). Of the group of ‘modernizers’, the Netherlands, Finland and Sweden have selectively and cautiously ventured into the territory of marketizing, but have usually remained among the modernizers (*ibid.*, 98). All modernizers have been cautious with privatisation, with intermediate forms such as state-owned enterprises and companies before or instead of privatisation. Overall, modernizers typically introduced budget reforms (results or performance-oriented budgeting), some loosening of personnel policy, extensive decentralisation and devolution of authority from central ministries and agencies, and a strengthened commitment to improving the quality of public services to citizens. Pollitt and Bouckaert also add an emphasis on strategic planning as characteristic of this trajectory. In addition, they characterise the group including Finland, the Netherlands and Sweden as tending towards participatory modernization, e.g., devolution to subnational governments and emphasis on user-responsive, high-quality services, while other modernizers have emphasised management systems, tools and techniques, and thus are called managerial modernizers (*ibid.*, 97).

The group of modernizers has sometimes been portrayed simply as ‘laggards or faint-hearts who have been slow to climb aboard the NPM train’ (Pollitt and Bouckaert 2004, 99). Pollitt and Bouckaert do not agree with that interpretation. They suggest that it is misleading simply to state that some countries have been reluctant or opposed to NPM (*ibid.*, 3). Instead, there are alternative and positive concepts of modernization. They argue that the Continental European states<sup>15</sup> form a distinctive reform model, termed the Neo-Weberian State (NWS). NWS is a new concept introduced by Pollitt and Bouckaert. As the name suggests, there are ‘Weberian’ elements as well as ‘Neo’ elements (*ibid.*, 99).

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<sup>14</sup> This classification concerns the federal level; below the federal level, there have been less conservative reforms, belonging to the family of modernizers (Pollitt and Bouckaert 2004, 98).

<sup>15</sup> Meaning the group of modernizers: Belgium, Finland, France, Italy, the Netherlands and Sweden.

The 'Weberian' elements include (ibid., 99):

- Reaffirmation of the role of the state as the main facilitator of solutions to the new problems of globalisation, technological change, shifting demographics and environmental threats
- Reaffirmation of the role of representative democracy (central, regional, and local) as the legitimating element within the state apparatus
- Reaffirmation of the role of administrative law – suitably modernized – in preserving the basic principles pertaining to the citizen-state relationship, including equality before the law, legal security and the availability of specialised legal scrutiny of state actions
- Preservation of the idea of a public service with distinctive status, culture, and terms and conditions

The 'Neo' elements include (ibid., 99):

- Shift from an internal orientation towards bureaucratic rules towards an external orientation towards meeting citizen's needs and wishes. The primary route to achieving this is not the employment of market mechanisms (although they may occasionally be useful) but the creation of a professional culture of quality and service
- Supplementation (not replacement) of the role of representative democracy by a range of devices for consultation with, and direct representation of, citizens' views (this aspect being more visible in the northern European states and Germany at the local level than in Belgium, France and Italy)
- In the management of resources within government, a modernization of the relevant laws to encourage a greater orientation on the achievement of results rather than merely the correct following of procedure. This is expressed partly in a shift in a balance from *ex ante* to *ex post* controls, but not a complete abandonment of the former
- A professionalisation of the public service, so that the 'bureaucrat' becomes not simply an expert in the law relevant to his or her sphere of activity, but also a professional manager, oriented to meeting the needs of his or her citizen/users.

Because the 'NWS countries' equate with 'modernizers', there are two variants of NWS, the early and participatory modernizers in northern Europe being the first variant and the somewhat later, more managerially-oriented modernizers in central Europe as well as in the EU Commission being the second variant (ibid., 102). Overall, Pollitt and Bouckaert (ibid., 100) emphasise that the model described above is very rough and approximate, both for political and for organisational reasons. As for political reasons, they point to two factors. First, Governments may hold different views as they change, and the reform trajectory is therefore not consistent. Second, pressures caused by external socio-economic forces and by political demands can 'blow chosen trajectories off course' (ibid., 101). Organisational factors are frequently expressed as implementation difficulties; more

fundamentally, different kinds of regimes have different capacities for reform (ibid., 102).

As the discussion about Neo-Weberian State proves, there is no single NPM model. However, the NPM model found in the core NPM countries (Anglo-Saxon) is the model that has attracted the most attention and thus, the critique of NPM has naturally focused on the Anglo-Saxon context. Some of the criticisms of NPM are presented in the following chapter.

### 2.1.3 The critique of NPM

Robert Denhardt and Janet Vinzant Denhardt (2000) have noted that proponents of New Public Management have developed their arguments largely through contrasts with the old public administration, which has come to be regarded as synonymous with bureaucracy, hierarchy and control. In this comparison, 'the New Public Management will always win' (ibid., 550). These authors are not by any means proponents of NPM but suggest another model, the 'New Public Service', which places citizens at the centre.<sup>16</sup> Their argument is that many academics have criticised NPM, but what is missing is an alternative. Here, it is not appropriate to present alternatives but to focus on the criticisms themselves.

At the beginning of the 1990s, Hood identified four main criticisms of NPM (Hood 1991, 8–10). The first asserts that NPM is like the Emperor's new clothes: the advent of NPM has changed little; only the rhetoric has changed. The second criticism is that NPM has not realised its promise of lowering costs, but in fact, has in many cases resulted in the 'aggrandizement of management'. The third common criticism according to Hood was that, while NPM claims to promote the 'public good', it in fact promotes the interests of an elite group of 'new managerialists', namely, top managers and officials in central controlling departments, management consultants and business schools. The fourth criticism, on which Hood elaborated at length, was the claim of universality implied by NPM. Critics argue that NPM cannot be 'public management for all seasons' since different administrative values have different implications for administrative design.

In addition to these criticisms, academics have pointed out that NPM is full of contradictions and paradoxes.<sup>17</sup> Pollitt and Bouckaert (2004, 164) have compiled a list of 'candidate contradictions'. The list is derived from the reform rhetoric of the keenest NPM countries, the core NPM group of Australia, New Zealand, the UK and the US. Canada, too has sometimes been a member of this 'community of

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<sup>16</sup> Ari Salminen (2004, 79–80) has noted that the New Public Service has characteristics in common with the 'New Public Administration' -thinking of the 1960s and 1970s in the US. These characteristics include focus on democracy, service orientation and citizens' interests.

<sup>17</sup> Pollitt and Bouckaert (2004, 163) define paradoxes as seeming contradictions, statements appearing self-contradictory but containing some particular kind of truth. However, when incompatibility is a real incompatibility, then we can speak of contradictions. In addition, some contradictions may prove to be more like trade-offs.

discourse', and Finland, Sweden and the Netherlands have occasionally borrowed from its rhetoric (ibid., 161). Thus, the criticism is directed to the NPM model of radical reformers. An optimistic interpretation of the situation in NWS countries would be that these countries have been more sensitive to balances and limits, but it may well be that these countries have awkward choices still ahead (ibid., 162).

The candidate contradictions focus on the substance of management reform, not, for example, on the process or implementation of management reform. These contradictions as a list of NPM's contradictory prescriptions are as follows (ibid., 164):

1. Increase political control of the bureaucracy/free managers to manage/empower service consumers.
2. Promote flexibility and innovation/increase citizen trust and therefore governmental legitimacy.
3. Give priority to making savings/improving the performance of the public sector.
4. 'Responsibilize' government/reduce the range of tasks that government is involved with.
5. Motivate staff and promote cultural change/weaken tenure and down-size.
6. Reduce burden of internal scrutiny and associated paperwork/sharpen managerial accountability.
7. Create more single-purpose agencies/improve horizontal co-ordination ('joined-up government'; 'horizontality').
8. Decentralise management authority/improve programme co-ordination.
9. Increase effectiveness/sharpen managerial accountability.
10. Improve quality/cut costs.

Pollitt and Bouckaert (ibid., 165–179) discuss every contradiction in detail and conclude (ibid., 180–181) that many of these seeming contradictions are not necessarily contradictions but in some contexts may be or may lead to trade-offs. In addition, many of the contradictions truly include trade-offs or tension, and balance between them may be hard to maintain. They name contradiction number 5 as the most obvious and inescapable contradiction. Contradiction number 1, which is of most interest as regards the line of questioning in this study, seems to be another very difficult issue. Pollitt and Bouckaert (ibid., 180) state that 'in a perfect world these could just about be compatible', 'these' being increase of political control, increase of managerial freedom and increase of service consumer power. In a real, less perfect world, this triangle usually leads to trade-offs, and in some contexts the trade-off can be so sharp that it actually becomes a contradiction (ibid., 167, 180).

Of this triangle of 'minister power, manager power and consumer power' (Pollitt and Bouckaert 2004, 165), or 'empower customers, free managers and

strengthen political control' (Christensen and Lægheid 2003b, 308), consumer power is not of interest in this study. However, there is enough tension involved in the simultaneous prescription of more minister power and more manager power. Tom Christensen and Per Lægheid (2003a, 19–20) attach this 'hybrid character of NPM' to its theoretical origins. While the economic theories suggest that the power of political leaders should be reinforced against the bureaucracy, the managerial theories advocate managerial principles within the bureaucracy. In practice this means that centralisation, coordination and control are emphasised at the same time as decentralisation. Christensen and Lægheid (*ibid.*, 20) state that NPM is 'a double-edged sword which prescribes both centralisation and devolution', but they are willing to believe that NPM leans somewhat more towards devolution than centralisation. This arises from the fact that contractual arrangements have been the main device for attaining centralisation and since contractualism favours competition, it can undermine central, hierarchic control (*ibid.*, 20, in reference to Kerauden and van Mierlo<sup>18</sup>).

Managerial and economic theories have been combined in NPM in order to separate policy-making more clearly from policy administration and implementation, while managers are made accountable to policy-makers by contracts (Christensen and Lægheid 2003a, 20). This logic of NPM may not, however, be satisfactory for policy-makers. Moshe Maor (1999) has formulated a paradox that NPM creates: 'Investing in the public administration's managerial capital (i.e. giving public managers more authority to manage programs) is most likely to result in political executives' disinvesting in the public administration's political capital (i.e. giving ministers greater capacity for setting central directions and priorities and intervention in personnel matters) so as to resolve the problems of loss of control over policy implementation raised by the managerial reforms put in place under the new public management.' Consequently, it seems likely that politicians feel the need to intervene when they perceive loss of control over policy implementation.

It is evident that NPM produces tensions in real life. In Chapter 2.3 we return to the issue of political steering, which in the NPM model is strategic by nature. First, however, it is necessary to explore the meaning of 'strategic'.

## 2.2 Strategy-related concepts

This chapter presents an introduction to the messy conceptual world of strategy-related words. In order to understand what strategic political leadership or strategic political steering might mean, one needs to know the origins and different meanings of strategy and strategic management. For example, the field of

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<sup>18</sup> Kerauden, P. and van Mierlo, H. 1998. Theories of Public Management Reform and their Practical Implication. In T. Verheijen and D. Coombes (eds.), *Innovation in Public Management*. Cheltenham: Edward Elgar.

strategic management is not a cohesive whole; rather there are different schools of thought. It is not easy to talk about strategic management by itself because differences in the notions of strategy have to be taken into account. For example, Henry Mintzberg *et al.* (1998) have identified ten schools of strategic thought: design, planning, positioning, entrepreneurial, cognitive, learning, power, cultural, environmental and transformational.

## 2.2.1 Strategy, strategic planning, strategic management and strategic leadership

Strategy as such is not the object of this study. However, strategy is the core concept behind all the derivatives, so it cannot be ignored. The general usage of the word connotes something ‘important’ or something that has to do with the long-term. A textbook definition (Wright *et al.* 1998, 19) states that strategy is ‘Top management’s plans to attain outcomes consistent with the organisation’s mission and goals.’ This is a traditional view that does not recognise that strategies can also be emergent; they are not always planned.<sup>19</sup> Strategies tend to be a mixture of the intended and the realised (Mintzberg 1994, 24–25). Thus, plans can be written but in the end the realised strategy may be quite different from the intended one.

The concept of strategy originates in the study of success in war, the Greek word *stratos* meaning army and *agein* to lead. An elected general was called *strategos* in Athens about 500 years before the Christian Era (Macmillan and Tampoe 2000, 14). At about the same time as the concept of strategy developed in Athens, the Chinese general Sun Tzu was writing about strategy. As did the Greeks, Sun Tzu also related strategy closely to the duties of a leader. Another well-known military strategist, although in much more recent history, is Carl von Clausewitz, whose book *On war* was published in 1832 (*ibid.*, 14–15). In addition to the military origins of strategy, Hugh Macmillan and Mahen Tampoe (*ibid.*, 15–16) highlight the contribution of Niccolo Machiavelli to the development of the strategy concept: Machiavelli was the first to concern himself with the realities of implementing strategies in a political context.

Although the concept of strategy has a long history in war and in politics, its modern usage began in business in the 1960s (see e.g., Macmillan and Tampoe 2000, 14–17; Bracker 1980). Usually the first contributors to business strategy to be mentioned are the academics Peter Drucker, Alfred Chandler, Igor Ansoff and Kenneth Andrews<sup>20</sup> and practitioner Alfred Sloan<sup>21</sup> (e.g. Macmillan and Tampoe

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<sup>19</sup> A view especially associated with Henry Mintzberg; see, for example, Mintzberg (1978) and (1994); Mintzberg and Waters (1985).

<sup>20</sup> Drucker, P. 1954. *The Practice of Management*. New York: Harper; Chandler, A.D. 1962. *Strategy and Structure*. Cambridge (MA): MIT Press.; Ansoff, H.I. 1965. *Corporate Strategy*. New York: McGraw-Hill.; Andrews, K.R. 1971. *The Concept of Corporate Strategy*. Homewood: Dow Jones-Irwin.

<sup>21</sup> Sloan, A.P. 1963. *My Years with General Motors*. Garden City (N.Y.): Doubleday.

2000, 16–17). The 1960s was the decade when the concept of strategy began to be rooted in business thinking. In particular, Ansoff's seminal book *Corporate Strategy*, published in 1965, was significant in this respect. The time was favourable as there had been a rise in interest in long-range planning just prior to book's appearance. According to David Hussey, the term 'corporate planning' almost took over by the end of the 1960s. Corporate planning sounded better than long-range planning, and whereas long-range planning was essentially an extension of the budget, corporate planning embraced the whole organisation, was linked to both long- and short-term plans and entailed the idea that organisations are able to shape their futures (Hussey 1998, 6–7).

However, corporate planning too proved to be problematic. A new term, 'strategic planning', was introduced, with the idea that strategy should be at the heart of the process, and although operational planning and strategic planning should be intertwined, the latter should dominate (Hussey 1998, 7–9). If the switch from corporate to strategic planning was a change from the idea of 'preparing a blueprint for the future' to the idea of 'setting a strategic direction for the organisation', the introduction of the term 'strategic management' can be attached to an emphasis on implementation and taking account of behavioural aspects of management, not just analytical processes (*ibid.*, 10–11).<sup>22</sup> According to Graham Toft (2000, 4), strategic management superseded strategic planning as an integrating concept because of two findings. First, it was realised that rational planning must be integrated with other administrative systems, and second, attention was paid to the fact that mere formulation of a plan does not ensure implementation and feedback.<sup>23</sup>

Nowadays strategic planning is perceived only as a part of strategic management, which is 'a comprehensive management approach that integrates planning, implementation, and control systems around the mission and goals of an organisation' (Vinzant Denhardt and Vinzant 2000, 494–495). To put it even more simply, strategic management is a comprehensive approach to integrating the whole of organisational management within the framework of strategy (*ibid.*, 493). In addition to these more general definitions, a textbook definition helps to grasp what the concept is about: 'Strategic management is the continuous process of determining the mission and goals of an organisation within the context of its external environment and its internal strengths and weaknesses, formulating appropriate strategies, implementing those strategies, and exerting strategic control to ensure that the organisation's strategies are successful in attaining its goals' (Wright *et al.* 1998, 19). To Macmillan and Tampoe (2000, 12), strategic management is about envisioning and realising the future, which means that what is needed is both an idea of the future and action to realise that idea. Accordingly, 'strategic management only takes place when action follows thought' (*ibid.*, 13).

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<sup>22</sup> Igor Ansoff seems to have also been behind this new concept; the first reference dates back to 1972 (Hussey 1998, 11): Ansoff, H.I. The Concept of Strategic Management, *Journal of Business Policy* 2:4, Summer 1972.

<sup>23</sup> Although it is popular to state that rational models of strategic planning do not work (cf. Joyce 1999, 9), there is evidence that a strategic planning process can also be useful (Flynn and Talbot 1996; Poister and Streib 2005).

One of the best descriptions of the content of strategic management is provided by Douglas Vinzant and Janet Vinzant (1996, 140), who include the following elements and ideas<sup>24</sup>:

- *Strategic management is a process that focuses on the long-term health of an organisation.* Strategic management primarily relies on the integration of strategic planning, resource allocation, and control and evaluation processes to achieve strategic goals.
- *Strategic planning is a formal process that is the cornerstone of a strategic management system.*
- *Resource allocation processes provide the staffing, financial and capital requirements necessary to implement the strategic plan.*
- *Control and evaluation processes provide performance feedback during and after the implementation of strategic plans.* They ensure that the plans are implemented and enable midcourse corrections when necessary.
- *Strategic management emphasises the integration of all organisational processes and resources towards accomplishing long-term or strategic aims.* Successful integration of organisational processes means achieving linkages between the strategic and operational or day-to-day processes and activities of the organisation.
- *Strategic management is not static and does not end with the development of a strategic plan.*
- *Strategic management recognises and embraces organisational theories that account for the human and behavioural aspects of change.* Strategic management is primarily the responsibility of the senior executives in an organisation, but relies heavily on participatory processes.

Vinzant and Vinzant (ibid., 141) also provide an account of the requirements for successful implementation of a strategic management system. They identify four levels of implementation, of which only the fourth represents the implementation of a comprehensive strategic management approach. At the first level, successful implementation means the completion of a strategic planning process. The second level adds to the first the production of a strategic planning document. At the third level, the strategic planning process and the following strategy document result in changes in the resource allocation process. At the fourth level, the complete implementation of a strategic management approach includes, in addition to all the previous levels, specific changes in control and evaluation processes providing feedback on the implementation of elements of the strategic plan.

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<sup>24</sup> *The components of strategic management system are emphasised here as in the original source, but explanations are included only when they are considered important to understanding the component.*

This conceptual introduction shows that the terminology around the concept of strategy has evolved a great deal since the 1960s in line with findings about the practice of strategy, resulting in old concepts giving way to new, 'better' ones. However, strategic management seems to hold on. One of the concepts not mentioned so far, strategic leadership, is not about to replace the concept of strategic management. Strategic management is a description of the process (including strategic planning), while strategic leadership is something that emerges in the process of strategic decision-making; it is managers who provide strategic leadership (cf. Schrivastava and Nachman 1989, 52). Some authors (e.g., Cannella and Monroe 1997, 219) equate strategic leadership theory with 'upper echelons theory', developed by Donald Hambrick and Phyllis Mason (1984), which claims that organisations are reflections of their top managers, or at least, that organisational outcomes – strategic choices and performance levels – are partially predicted by managerial background characteristics. However, Hambrick (1989, 6) himself prefers strategic leadership as a general concept of the whole research area, not only as a synonym with 'upper echelons'. According to Hambrick, strategic leadership research focuses on the people who have overall responsibility for an organisation: the characteristics of those people, what they do and how they do it. In this study, strategic leadership as a concept is understood similarly to Signy Vabo (2000): 'strategic political leadership' refers to the opposite of dealing with day-to-day single issues and details, that is, focus on issues of a general or principal nature (see Chapter 2.2.3).

## 2.2.2 Strategy in the public sector context

Strategy is a concept born in politics, more specifically in war, and it has remained influential in the public sector throughout history in writings and in practice (see Bracker 1980, 219). However, the public sector has fallen behind in its interest in strategic planning when compared to the private sector. Frances Berry and Barton Wechsler (1995, 159) write that since the 1980s, strategic planning has been one of the 'hot' innovations in public administration, while John Bryson and William Roering (1988, 995) point to changes since the early 1970s, such as oil crises, demographic shifts and tax cuts, as an impetus to strategic planning in the public sector.<sup>25</sup> In the 1990s, or at the latest, by the early 2000s, strategic planning also started to sound unfashionable in the public sector. However, strategic manage-

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<sup>25</sup> Markku Sotarauta (1996, 162) has noted that already in the 1960s strategic planning was a familiar concept in the public sector when contrasted with operative planning, but this was done in order to emphasise the different nature and time span of the plans (Ståhlberg 1978, 125). Thus, strategic planning of that time does not equate with the strategic planning inspired by managerial theories and practices that emerged in the 1980s. About planning's rise and fall in Finland, see Tiihonen and Tiihonen (1990) and generally about *The Rise and Fall of Strategic Planning*: Mintzberg (1994).

ment seems to be a more confusing concept than its predecessor. In many organisations it is not rare to hear the terms 'strategic planning' and 'strategic management' used interchangeably, although they should be kept apart, because strategic management is much more than planning (Vinzant Denhardt and Vinzant 2000, 495).

Sue Llewellyn and Emma Tappin (2003, 957) have identified three reasons why strategic management has not risen on the agenda of the public sector until recently.<sup>26</sup> First, strategies attempting to secure competitive advantage have not been necessary in the context of monopolies. Second, bureaucratic organisations have been resistant to change, preserving their customary ways of service delivery. Third, the public sector faces inconsistent demands and frequently, insoluble problems (Llewellyn and Tappin 2003, 957). While the first two issues have changed a lot in the public sectors of OECD countries since the boom of NPM, the last one is a continuous problem: 'a context of inconsistent demands and insoluble problems makes articulated strategy to satisfy all stakeholders both difficult to formulate and problematic in terms of its realization' (*ibid.*, 957). In consensual political systems, this problem is even more severe, as politicians have to make compromises inside the political sphere itself.

Many authors have identified differences between private and public strategies, mostly in the sense of constraints and difficulties that the public sector context adds (Ring and Perry 1985, 278; Miller 1989, 137–138; Nutt and Backoff 1993, 301–302; see also East 1972). One of the most often-mentioned difficulties is the vagueness of goals, either because goals are purposely vague or because goals are hard to specify. This vagueness has to do with competing interests, diverse interest groups and the effect of having a constituency. Also time constraints, or artificial time frames, are a real difficulty in the public sector. Electoral cycles may lead to major decisions being postponed. In addition, coalitions are often unstable and may disintegrate before a strategy is fully implemented. Exposure to elections and also greater media exposure than in the private sector lead to cowardice in making decisions that lack public support. This openness of Governments emphasise how decisions and policies look, not so much what they actually do. And, of course, laws set constraints on the public sector.

One of the most obvious differences between the public sector and the private context, namely, the role markets play, needs to be commented upon in some detail. Deficiencies in the market environment (e.g. Nutt and Backoff 1993, 301) are characteristic of the public sector. However, it would be misleading to think of the deficiencies as purely a question that needs to be solved by introducing 'more markets' into the public sector. On the contrary, the problem in the public sector has been one of excess demand rather than a need to create demand by attracting customers, e.g., through low-cost strategies or product differentiation (Llewellyn and Tappin 2003, 959–960). In addition, many public services exist precisely because of market failure (*ibid.*, 960). Thus, what the public sector strategy can do

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<sup>26</sup> They refer to formal strategic plans and emphasise that earlier, some individuals may have had 'strategies'.

at the whole-of-government level, is to make the best out of existing resources, which requires strategic thinking. At the level of agency, or municipality, strategy can help in securing existing funding, but also it can attract additional funding. In short, strategy in the public sector can assist both in making the best of existing resources and in securing or increasing future resources, but in this task, public organisations face more constraints than their private counterparts.

Many of the studies of strategic planning and strategic management in the public sector focus on local or state governments in the US (on early accounts of strategic planning in the local government, see Eadie 1983; Rider 1983 and the analysis of twenty years' experience by Poister and Streib 2005). State agencies in the US have been of as much interest as municipalities (e.g., Eadie and Steinbacher 1985; Wechsler and Backoff 1986; Berry 1994; Berry and Wechsler 1995). State level strategic planning has also gained some attention (Kissler *et al.* 1998, focusing on Oregon). Worth mentioning too is Bryson and Roering's (1988) study, which is empirically based on a sample of city governments, a county government in Minnesota and its units. In the academic literature, experiences from countries other than the US have received scarce attention, or at least they have not been made available to other than national audiences.<sup>27</sup>

In addition to the articles in academic journals, numerous books have been written about strategic planning or strategic management in the public sector. The most popular books dealing with public sector strategy include Nutt and Backoff 1992, Moore 1995, Bryson 1995, Koteen 1997, Joyce 1999 and Johnson and Scholes 2001. Books, however, rarely report results of research but are intertwined with more consultant-like approaches or often have educational goals.

The titles of the articles mentioned above indicate that most of the authors are dealing with strategic planning, while most books focus on strategic management or strategy in general. This may have to do with the time of publication or the fact that books on strategic management sell better than books on strategic planning. As regards article titles, the preference for strategic planning follows not from the fondness of academics for strategic planning instead of strategic management, but from the fact that when a municipality, agency or state (in federal systems) adopts some kind of system to advance its strategic capacity, it usually is the formal strategic planning model that is adopted (see also Eriksson and Lehtimäki 2001). One of the newest studies (Poister and Streib 2005) took up the challenge of studying whether procedures of strategic planning are connected to other elements of strategic management in municipal governments. The result was that strategic planning as such has developed significantly since its first applications in the public sector, yet even now, only a small number of 'leading-edge' municipalities are capable of using comprehensive strategic management. Thus, the reality is reflected in the article titles.

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<sup>27</sup> As an example of Finnish local government strategy studies see Sotarauta (1990) and Rannisto (2005).

Studies of strategic management at the level of the whole-of-government are rare, and they tend to focus on the case of New Zealand where an advanced framework for strategic management in government was developed.<sup>28</sup> In addition to reports (Schick 1996; State Services Commission 1998; Matheson *et al.* 1996), there are also a few academic articles written on the subject (Boston and Pallot 1997; see also Pallot 1998). Jonathan Boston and June Pallot (1997) use the concept 'whole-of-government strategizing', while Alex Matheson *et al.* (1996) write about 'strategic management in government' or 'strategic approach to government'. Allen Schick (1996) uses the concept 'strategic capacity', but the concept is similar to strategic management as found in textbook definitions. The New Zealand experience is explored below, as an example of a government-wide strategic approach.

According to Pallot (1998, 3), New Public Management reforms in New Zealand have taken place in three phases. First, in 1978–1985, a managerialist phase introduced private sector management techniques. Then, in 1986–1991, a marketization phase took place. And finally, a strategic phase, beginning in 1992, continued up to the moment of publication in 1998. The strategic phase is characterised by an emphasis on whole-of-government strategising (*ibid.*, 3). The new policy framework that was developed during 1993–1994 was considered essential, because there were concerns that the Government's long-term political goals were inadequately specified and because of the failure to integrate the Government's strategic vision into the ongoing policy process, notably the budgetary process, and because interagency coordination was considered inadequate (Boston and Pallot 1997, 382; see also Matheson *et al.* 1996). Schick (1996, 53) emphasises that in the original design of the New Zealand reforms, there was a lack of attention to the issue of strategic capacity, while strong emphasis was placed on operational efficiency and accountability. According to Schick, this emphasis led to a sharp distinction between the political accountability of ministers and the managerial accountability of chief executives.

In early 1992, a project to improve strategic management was initiated in New Zealand. The plans made in this project seemed too complex, and as a result, the Prime Minister's advisor was given the task of preparing a policy statement setting out the National Party's long-term objectives. The process included consultations with ministers and co-operation with the Department of the Prime Minister and Cabinet (DPMC). The process resulted in the publication of a 35-page vision, a document entitled 'Path to 2010'. The publication of the vision took place in mid-1993, only a few months before the general election, which the National Party narrowly won (Boston and Pallot 1997, 387–388).

According to Boston and Pallot (*ibid.*, 388), 'Path to 2010' identified the Government's major objectives but did not provide further guidance as to how the objectives could be achieved. At the same time, it was determined in the State Services Commission (SSC) that there are deficiencies in evaluating the perform-

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<sup>28</sup> Before the NPM era, one could point to studies of the Planning Programming Budgeting Systems, but this early phase is outside the scope of this study.

ance of departmental chief executives. To this end, the idea of 'key result areas' (KRAs) was introduced. KRAs were defined annually for chief executives of government departments (ibid., 383). The key result areas, however, were lonely in the sense that there was nothing to which they could be linked. Consequently, in 1994, the SSC and DPMC introduced the concept of 'strategic result areas' (SRAs) to provide a bridge between the visionary document of 'Path to 2010' and the key result areas. Under the direction of DPMC, all the departmental chief executives were asked 'what they thought their minister(s) most wanted to achieve in their portfolio area; what were the two or three things that their department needed to do if the goals set out in 'Path to 2010' were to be realised; and whether the items they had identified corresponded to the known priorities of their respective minister(s)' (ibid., 389). Senior officials of the DPMC then met with individual ministers to check whether they concurred with the key issues and the potential risks identified by the chief executives. Finally, this process resulted in a document identifying strategic result areas. The document was accepted in the Cabinet in May 1994 and in February 1995, made publicly available, although at first it had been considered only an internal management tool (ibid., 389).

In New Zealand's approach, the Government specified a limited number of strategic result areas for public service as a whole over a three-year period. These SRAs guided the budgetary process and priority setting, but they were also used to guide the specification of key result areas. Thus, the process of strategic management evolved into a process that combined the Government's strategic objectives with departmental performance. While SRAs were horizontal in nature, KRAs were departmental. KRAs were confirmed, and revised, if necessary every year, by ministers and officials (ibid., 390–391). During Boston and Pallot's (1997) analysis of the strategic management framework, the new approach was still evolving, and thus the authors did not promise any comprehensive assessment. Some notions were, however, provided. The main benefits of the system as perceived by the key ministers and senior officials interviewed by the authors can be grouped into three. First, the process provided an opportunity for more focused discussions between ministers and officials. Second, coordination within government had improved, according to the interviewees. Third, the budgetary process was now better informed by Government priorities (ibid., 394–395.) In addition, it seemed that SRAs and KRAs were exceptionally well accepted: 'Few elements of the New Zealand reforms have attracted as much favourable comment from ministers, chief executives, and senior managers as have the strategic and key result areas' (Schick 1996, 54). According to Schick (ibid.), ministers liked SRAs and KRAs because ministers could then more easily align their priorities to those of the Government; SRAs and KRAs were also good arguments for justifying additional resources.

The process was not, certainly, without 'outstanding issues', as Boston and Pallot stated. The main dilemma seemed to be the appropriate level of specificity and detail in SRAs and KRAs. Other difficult issues were the frequency of updates and the question of whether SRAs and KRAs should cover all activities of government or focus on matters of strategic significance (ibid., 395–398). Later on, another

observer stated about the deficiencies of SRAs and KRAs that ‘there is no evaluation process that follows them, they are not tightly linked into performance specification, and they are not well linked into budgeting (Scott 2000, 77).

Boston and Pallot (*ibid.*, 398) note that some observers could interpret the system as just another form of PPBS, but they argue that there are some important differences between PPBS and the strategic framework of New Zealand. Consequently, they conclude that the typical objections to PPBS-type systems do not apply to the New Zealand framework. They underline that the New Zealand reformers have developed a qualitatively different system for strategising, priority setting, budgeting and management performance and they provide five arguments to show the dissimilarity between PPBS and New Zealand’s system. First, the New Zealand system was not introduced into the old bureaucracy but into a new managerial administration. Second, both political and administrative support have been backing the system. Third, the framework was developed in manageable chunks, not all at once. Fourth, Boston and Pallot argue that strategy development and budgeting are much better integrated than in earlier approaches. Fifth and finally, the new framework acknowledges that strategic management is more about processes than about documents and plans. In addition, the focus has been on critical matters and if that focus can be maintained, the system is less likely to collapse than its predecessors (*ibid.*, 399–400).

Despite all the good arguments, the strategic approach as described above did not survive the change of Government in 1999. Boston and Pallot (1997, 402) saw the introduction of proportional representation in the elections of 1996 as a challenge to the strategic approach, since the proportional electoral system is likely to produce coalition Governments. In the electoral period of 1996 to 1999, the system was, however, further developed (see State Services Commission 1998). There do not seem to be academic or other sources that document the collapse of the system in 1999, but it was the decision of the newly-elected Government not to adopt the system (private correspondence to the author from a second tier official in the New Zealand government 12 October 2005). In the next two Governments, a system called ‘Managing for Outcomes’ was developed. While the system described by Boston and Pallot did consider whole-of-government strategising, ending up with a vision document for the government as a whole, there is no counterpart in the new system. In addition, while SRAs were horizontal and KRAs departmental, the process now ends up with ‘SOI’, Statement of Intent, which is departmental. The new system considers outcomes and shared outcomes, ‘shared’ referring to a form of inter-agency collaboration (Private correspondence of author 12 October 2005 and the web-page of the State Services Commission: Managing for Outcomes, cited 13 October 2005).

Overall, there is substantial literature to show that many kinds of public sector organisations or even whole nation states have engaged in strategic planning or more comprehensive strategic management systems, but little has been said about the role of politicians. There are, however, some studies that specifically address the role of politicians, and these are discussed in detail in the following chapter.

### 2.2.3 Strategic political leadership

The role of politicians in strategic work has been mostly studied in a local context. In Finland, the most notable example is Sakari Möttönen's (1997) thesis, which was inspired by the question of whether Management by Objectives (MBO) can work in the relationship between political decision makers and office holders.<sup>29</sup> The politicians in question were members of the local council. In his thesis Möttönen identified the recommended model of politico-administrative relationship implied by MBO. According to the model, political decision-makers should concentrate on drawing up strategies, deciding on policy and setting aims. Officials on the other hand are assigned the responsibility for operative matters. Möttönen's point of departure was that when the problems of adopting MBO became clear, the reasons for the problems were sought in the deficiencies in adopting the system. Consequently, it was assumed that the deficiencies could be remedied by educating politicians, for example. Möttönen himself, however, questioned this kind of reasoning and asked whether it is even possible for MBO to work in the politico-administrative context of municipality, given the goals of MBO. Möttönen's conclusion was that political decision-makers had not accepted their assigned role. In addition, Möttönen emphasised that the principles of MBO are unsuitable as a basis for the assignment of roles and responsibilities between officials and politicians.

It is also worth mentioning that Kaija Majoinen's (2001) thesis concerned the role of the municipal council after the 1995 Local Government Act, according to which the council became responsible for strategic decision-making.<sup>30</sup> In the late 1990s, councils started to use methods of strategic management increasingly, at least formally (Majoinen 2001, 241–245). However, adopting concepts, techniques or theories does not tell much about the reality: have municipalities and councillors adopted a strategic approach or not? (ibid., 246). As a conclusion, Majoinen (ibid., 266) stated that the role of the council in strategic management is quite weak: the council only has an effect on strategies and goals. It does not define them.

Both Möttönen's (1997) and Majoinen's (2001) studies show that in the 1990s, local politics faced a norm that operative and strategic decision-making should be separated, and it is the strategic role that is the role of politicians. Similarly, in a study about Norwegian local councils, Vabo (2000) argued that the new

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<sup>29</sup> Möttönen's thesis was written in Finnish but the English summary used the concept MBO. In the Finnish language, MBO (*tulosjohtaminen*) and MBR (*tulosohjaus*) are usually separated, the former meaning intra-organisational (e.g., inside the ministry or municipality) steering and management system, while the latter has to do with inter-organisational steering (e.g., between ministry and agency). However, nowadays, neither MBO nor MBR is preferred when the Finnish steering system is discussed in English; the recommended term is 'performance management'.

<sup>30</sup> Overall, the study was a larger evaluation of the consequences of the Local Government Act, focusing on municipal management, municipal democracy and local politics.

role held out for politicians is 'strategic political leadership'. In Norway, this role was created in accordance with organisational changes in the council committee structure during the 1990s, inspired by New Public Management. Vabo used the term 'strategic political leadership' to refer to the opposite of dealing with day-to-day single issues and details. Strategic leadership implies a focus on issues of a general or principal nature. More broadly, Vabo analysed the impact of organisational changes on politicians' behaviours, focusing on six empirical indicators under four headings: decentralisation, coordination, delegation, and power and confidence (see *ibid.*, 352, Table 1). Vabo's conception of strategic role was, thus, bound up with the intended consequences of organisational reforms. While the strategic role of politicians can be analysed through all six indicators, strategic political leadership is associated with decentralisation; close contact between politicians and administrative officers is almost eliminated, and focus on details and single issues is replaced by emphasis on the purpose of the organisation, and on issues of general or principle interest, including goal setting, budgeting, planning and evaluation (*ibid.*, 347–348, 352).

Vabo's (2000) results indicate that 'the concept of strategic leadership has not been implemented as intended' and 'the ordinary politician is perplexed and feels uncomfortable in her or his new role' (*ibid.*, 360). Local politicians are not comfortable with organisational solutions where they cannot have an effect on details. As a result, they trust officials less than in the old system and feel that they receive less information and have less influence on the office-holders. However, it seems that an elite, namely, the mayor, the members of the executive committee, the committee leaders and the most experienced councillors, may have gained power or at least not have lost their influence, while it is the ordinary politicians who are frustrated with loss of power (*ibid.*, 362). Similar results were found in a case study of three Scandinavian municipalities in Denmark, Norway and Sweden by Terje Kleven *et al.* (2000), who argue that 'strategic political management' or 'strategic leadership' role as proposed in NPM rhetoric is not easily transplanted to local politics where councillors are still widely considered to be representatives of the citizens, a reflection of the traditional role of politicians.

Overall, the issue of political decision-makers as responsible for strategic steering or strategic leadership has been dealt with at the local level but at the national level, there is not much to refer to. Pollitt and Bouckaert (2004) refer to the strategic role of politicians in the NPM model, but do not analyse the role of politicians in depth. Spencer Zifcak (1994) has analysed administrative reform in the UK and in Australia with particular attention placed on the role of ministers. Because the reforms in his analysis promoted the overall view of ministers as managers, Zifcak's account is broader than the question of ministers focusing on strategic steering, but still it provides interesting insights into this specific issue.

In the UK, the Financial Management Initiative introduced in 1982 included a top management information system for ministers called MINIS. Without going into the details of MINIS, the aim was to make ministers more than actors in the political sphere, to engage them in the management of departmental pro-

grammes.<sup>31</sup> MINIS was about enabling ministers to review priorities, set objectives and allocate resources as well as to help them to know how the departmental work was organised and who was responsible for doing it (Zifcak 1994, 27, 34). This view of the 'minister as manager' was not a great success. Zifcak (*ibid.*, 35–39) lists eight problematic issues. It soon emerged that ministers were not managerial enthusiasts. Rather than being really interested in better management, they seemed to be concerned with cutting back services, for which the MINIS provided information. Meanwhile, officials criticised the practice of ministerial management as not following the logic of top management systems as endorsed by the Government's White Papers on Management Reform where it was suggested that all the available alternatives should be considered when making decisions. Third, the aim of providing ministers with a comprehensive overview of their departments was to improve their ability to make strategic decisions. According to Zifcak, however, even the more managerially-oriented ministers failed to take the wider, strategic view. Fourth, the hope that ministers would be encouraged to make more rational decisions with respect to departmental priorities proved to be naïve because ministers showed little sign of doing so. Fifth, ministers faced a dilemma in defining their objectives precisely. Although they could provide greater direction for their departments through specific objectives, the same objectives would lock them into a particular course and expose them to the possible criticism of not achieving their objectives. Consequently, many ministers considered it safer not to commit themselves to precise objectives in the manner that MINIS required.

The sixth issue had to do with the prospect that top management system documents would be published. Both officials and ministers alike were concerned about the publication, partly because of confidentiality and partly because of fear of public embarrassment. Seventh, the time horizons of the ministers and officials were in conflict. While officials considered MINIS to be a strategic tool, for helping to plan and achieve long-term operational goals, ministers used it to assist with the achievement of short-term political objectives. Thus, for them, the system meant tactical assistance. Finally, Zifcak notes that ministers did not have the time to become truly involved with managerial issues. Management was the newest item on the ministers' agenda and thus the easiest to be removed. An additional problem was that high rates of ministerial turnover made it 'difficult if not impossible' for ministers to engage in strategic management (Zifcak 1994, 38). A further interesting observation is that ministers used MINIS to intervene in selected parts of departmental operations instead of using it as a tool to establish their priorities and achieve a comprehensive overview of departmental operations. Those selected interventions reflected ministers' particular interests or favourites (*ibid.*, 39). Overall, the task of maintenance and the use of top management systems fell to the senior management of departments, because most ministers did not themselves engage in these activities (*ibid.*).

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<sup>31</sup> The origins of MINIS are described in Metcalfe and Richards (1990, Chapter 3).

Five years after the launch of the Financial Management Initiative and MINIS, in 1987, Prime Minister Margaret Thatcher commissioned a study to consider the improvement of management in government and analyse the management reform to that point of her period in office. This study resulted in the Next Steps programme in 1988. The Next Steps programme was a radical one, introducing agencies that would carry out the executive functions of government.<sup>32</sup> From the point of view of ministers, this meant that the chief executives of the new agencies would be responsible to the ministers, who themselves would be accountable to Parliament for the operation of their respective agencies. The lesson learned from FMI and MINIS was that ministers should be required to be involved in management 'only to the degree necessary to provide clear policy direction and establish definable targets for effective performance' (Zifcak 1994, 75). In practice, the separation of policy responsibilities of ministers and the managerial responsibilities of the administration was implemented by separating the core departments, those with the task of policy advice, from executive agencies, which had the task of delivering services (*ibid.*). In the old model, ministers were responsible for all activities, however detailed, while in the new model with small policy cores, ministers were no longer responsible for day-to-day operational decisions (Hogwood *et al.* 2001, 36). Essentially, the Next Steps programme is about separation of policy and execution (*ibid.*, 38). Brian Hogwood *et al.* (*ibid.*, 44) state that in practice, there have been huge variations in the relationship between minister and agency in the UK. In a politicised atmosphere, contacts between minister and agency have been frequent while in some cases there has been no direct relationship at all. Politicians have been involved with operational matters in a small number of agencies, because of the political sensitivity of particular issues or in response to crises or developments. Hogwood *et al.* (*ibid.*, 44) believe that this has partly to do with the fact that the distinction between policy and operational matters is not the same as the distinction between politics and administration.

The Australian case, as depicted in Zifcak (1994), has some similarities with the FMI in the UK. Australia's Financial Management Improvement Program (FMIP) was based on the suggestions of a committee chaired by a businessman, John Reid. Reid did not, however, agree with the UK model that ministers should manage their departments, although he was of the opinion that management should rank equally to policy. Reid suggested that ministers should participate in the development of the department's goals and strategies and take part in the allocation of resources. To achieve this, ministers needed information on operational and managerial issues (Zifcak 1994, 92–93). Reid rejected the British MINIS model as a solution to what he called 'administrative leadership'. In the Australian solution, the key was to develop individualised systems for each department.

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<sup>32</sup> Since 1988, more than 150 agencies employing approximately 75 per cent of the civil service in central government have been established (Molander *et al.* 2002, 102).

In practice, departments and agencies engaged in corporate planning. In the Australian model, ministers were not regarded as managers; instead their task was to set departmental directions (ibid., 99–101).

As corporate planning was based on formal logic and analysis, there were several problems in trying to adjust ministers to the corporate planning approach. First, in order to succeed, corporate planning was based on the assumption that ministers would be willing and able to set priorities in their portfolio. Ministers, however, were disinclined to set priorities, perhaps not so much because they were not able to but because the ‘ministerial method’ consists of negotiation, bargain, trade-off and artfulness; it would go against this ‘political gamesmanship’ to commit oneself in advance to some publicly articulated plan (Zifcak 1994, 103). Second, whereas corporate planning was suited to the long term, ministers had to respond to constantly changing political, economic and social environments and thus, ministers’ ‘political horizons were far more limited’ (ibid.). In addition, because corporate plans were not developed every time a new minister came in, it was possible for a reform-minded minister to come into office unhappy with the corporate plan. This was a difficult situation as the corporate plan had connections to the budget allocation. To deal with the need for political flexibility, officials formulated vague mission statements, and when politically sensitive changes were introduced, they were disguised. Thus, the corporate planning process developed two faces, one for the public and one for the department (ibid., 104). Overall, corporate planning was not regarded as particularly helpful by ministers. Neither did officials find the rational technique very helpful in finding solutions to complex policy problems. However, corporate planning was found to be useful in the administrative arena, improving the management of operations (ibid., 106–107).

Both the UK and Australian experiences show that there are certain difficulties involved when rational managerial models are introduced into the sphere of politics. Other writings that deal with government-wide strategic management have not taken explicit interest in the role of politicians. In New Zealand, the role of politicians has been considered pivotal in furthering a strategic approach to government. Matheson *et al.* (1996, 3) argued that political leadership was vital in establishing the strategic framework of the New Zealand government. Boston and Pallot too stated that the collaboration of ministers and officials was crucial. As regards the actual role of ministers in the system, they were involved only in the final phase of the process, although their (implicit) views were taken into account by officials: the identification of strategic result areas was based on ministers’ goals and priorities, first identified by departmental heads and then approved by the ministers themselves. The Cabinet also accepted the SRAs, although it seems that the role of the Cabinet was mainly accepting what had already been prepared (see Boston and Pallot 1997, 389).

## 2.2.4 Conceptual conclusion: strategic steering

As the title of this study indicates, 'strategic political leader' and 'strategic political steering' are the preferred concepts. The choice of the concept of strategic steering is based on the NPM model where political steering is strategic by nature. In addition, in the empirical context of Finland, 'political steering' is a well-established concept, and thus, it is suitable to add the qualifier 'strategic' to end up with 'strategic political steering'. 'Political steering' here means that it is politicians, namely, ministers who are the subjects, while the object of steering is the administration. The qualifier 'strategic' refers to the opposite of 'operative', the divide accentuated in NPM-related reforms.

'Strategic political leadership', as in Vabo (2000), would be another option, but there is a risk of misunderstanding, since the concept 'strategic leadership' connotes the field of strategic leadership involving characteristics of those having the overall responsibility for an organisation, what they do and how they do it (Hambrick 1989, 6). Although this study is not about individual leadership capabilities, the term 'political leader' is well-established, and thus, as a definition of an individual, 'strategic political leader' is convenient. However, 'strategic political leader' may connote a good tactician, a minister who is a master of the game of politics. It should be emphasised that in this study, 'strategic' refers to the strategic role implied for ministers in NPM. The content of the strategic role in the general NPM model is addressed in the following chapter, while the Finnish interpretation is described in Chapter 3.3.

## 2.3 Strategic political steering and NPM

So far, we have considered the conceptual and theoretical issues around New Public Management and strategy-related issues, ending up with 'strategic political steering' as a concept that describes the new role of ministers. This final part of Chapter 2 goes on to examine more deeply the first research question: 'What kind of role does NPM promote for politicians, especially for ministers?'

The elements of NPM were introduced in Chapter 2.1. One of the doctrines identified by Hood (1991, 4–5) was an emphasis on private-sector styles of management practice. Strategic planning and management are part of this doctrine. Gruening (2001, 2) mentions both as being among the many undisputed characteristics of NPM. As regards the role of political executives in the NPM model, it is interesting to consider whether strategic planning and management as such really have to do with strategic steering, or whether strategic steering is only about the division between strategic and operative issues, the former being the responsibility of politicians and the latter of officials, or in the new language, of managers. Strategic planning and management as part of NPM seem to refer to the level of an agency or a ministry, meaning in practice that some kind of strategic planning procedure is introduced. In theory at least, ministers can

participate in drafting the strategies, which makes ministers part of the formal strategic planning process.<sup>33</sup>

Strategic political steering has to do with Hood's doctrine number one, freeing managers to manage, and consequently, 'freeing' ministers to concentrate on the broad, strategic decisions guiding operational execution. Thus, doctrine number one has to do with decentralisation. However, decentralisation has involved both 'making managers manage' and 'letting managers manage' (Aucoin 1997, 195). In fact, the aim has been to strengthen political steering by making bureaucracies more responsive to policy direction from political executives, in addition to promoting their responsiveness to demands of citizens and the economy and the need for efficiency (*ibid.*). As discussed in Chapter 2.1.3, Christensen and Læg Reid (2003a, 19–20) interpret NPM as a hybrid having elements of both centralisation and decentralisation while Peter Aucoin seems to place more stress on decentralisation, which, however, in the NPM model is assumed to produce centralisation as well in the sense of strengthening the strategic political direction and control. The newness of decentralisation in the context of NPM, according to Aucoin (1997, 196) lies in the 'assumption that decentralization within the core structures of executive-bureaucratic arenas can secure, even enhance, strategic political direction and control, and thus maintain ministerial responsibility, while fostering improved management both in the use of resources and in the delivery of public services'. This logic is not universally accepted but nevertheless, is part of the NPM model.

Clearly, New Public Management indicates a change in the steering role of political executives (Pollitt and Bouckaert 2004, 150; Maor 1999, 8). This change is qualitative by nature (Christensen and Læg Reid 2003c, 119). Christensen and Læg Reid (*ibid.*) prefer to discuss political control rather than steering; nevertheless, this qualitative change implies that emphasis is more on general, long-term policy development and guidelines and less on short-term specific political involvement. In other words, 'executive agencies should no longer be hierarchically controlled from the top down, but should be steered 'at arm's length' by the department. Thus, political executives should concentrate on the broad, strategic decisions guiding operational execution, whereas operational details should be the domain of the agency' (Maor 1999, 8). When 'steering' is defined in managerial terms, the steering problem could be solved rather easily through the publication of performance targets. However, if 'steering' is defined in political terms, the situation is more complex: ministers need to have control over the implementation of their policy and they cannot tolerate excessive levels of autonomy on the part of agencies and officials (*ibid.*, 8).<sup>34</sup>

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<sup>33</sup> It was already in 1972 when RJ East (1972, 5), comparing strategic planning in large corporations and in government, wrote that although it is difficult to find time for the strategic planning process in a minister's schedule, it is much easier for a minister to delegate when overall objectives and priorities are previously agreed upon than to consider each decision separately. Consequently, strategic planning can free top decision makers 'in this world of accelerating change to perform their proper strategic role' (*ibid.*, 5).

<sup>34</sup> According to Maor (1999, 8), the solution to this political steering issue, especially in political systems where the opposition and the media are eager to point to errors, may be greater political intervention in hiring, transferring, or demanding the resignation of public servants.

The content of strategic steering in the NPM model is quite empty: it refers only to the fact that operational decisions are made in the agency and by officials, while ministers and the top management of ministries give strategic direction. Thus, ministers give strategic direction about operational issues. This task does not seem to add much to the traditional task of politicians to give political direction or to define policy lines. However, nowadays, it is specifically expected that ministers not interfere with operational details. In addition to this first task definition, a second relating to strategic steering can be identified, namely, that strategic issues need political direction. This task too is not really new; it has always been implicit, but today it has become explicit. It is this latter task that more closely relates to strategic management, through the creation and management of strategic agenda. In order to give direction to strategic issues, the issues need to be identified in advance because the term 'strategic' usually refers to something that needs to be anticipated. This second task is close to the concept of strategic capacity, and it has become accustomed to speak of the government's strategic capacity (OECD 1995, 11; Schick 1996; Tiihonen 2000).

Strategic-operative division has its counterpart in David Osborne's and Ted Gaebler's (1993) 'steering rather than rowing'.<sup>35</sup> By steering the authors mean policy decisions and by rowing service delivery. The axiom, based on management-guru Peter Drucker's ideas, is that steering and rowing should be separated, that is, top management should be separated from operations, allowing it to concentrate on decision-making and direction while separate staffs run the operations, 'each with its own mission and goals, and with its own sphere of action and autonomy'. Otherwise, managers will be distracted by operational tasks and basic steering decisions will not be made (ibid., 35). In the public sector, the managers' role can be assigned to agency directors as well as departmental heads and elected officials, depending on the level of analysis. As for politico-administrative relationship, it is executive politicians who have the role of 'top management', i.e., of concentrating on strategic decision-making and direction. Certainly, ministers cannot do this without the help of the top management of the department.

However, Frieder Naschold and Glenn Daley (1999, 82) pointed out that while the division of responsibility between political decision-makers and officials in the NPM model is that between political target-setting and discretionary managerial decision-making, this division 'raises inconsistencies, particularly in the context of strategic management, where it is essential to link target selection and control with at least the core decisions of operative implementation.' Regarding strategic management, Peter Ring and James Perry too (1985, 277) suggested that a direct link between strategy formulation and implementation is essential for effective private sector policy making. In the public sector, this divide has been accentuated.

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<sup>35</sup> The opening chapter in their famous book, *Reinventing Government*, is entitled 'Catalytic government: Steering rather than rowing', which is also one of the ten principles promoted in the book.

Based on these insights, it would seem that the two doctrines of NPM, namely, separating strategic and operative issues and using strategic management techniques, are not perfectly compatible. Adding to the list of possible contradictions in NPM (outlined in Chapter 2.1.2), this contradiction could be formulated as a following prescription: separate the strategic and operative decisions so that political executives concentrate on the broad, strategic decisions, while operational decisions are taken by officials and in the agencies /introduce techniques of strategic management (requiring linkage between strategic and operative decisions). In other words, ministers should not interfere with operative implementation, yet successful strategic management in fact requires their participation, thus making the minister's role quite confusing in the NPM model. The NPM model as such does not say anything about a minister's role in formal strategy processes but clearly, if strategic decisions are the domain of ministers, it would be reasonable to assume that ministers are involved in strategic planning processes.

While the connection between strategic steering as defined in NPM and strategic management in general is not that clear-cut, there is also uncertainty about the reason why the concept of strategic steering was introduced in the first place. Was it the civil servants who wanted more autonomy or politicians who wanted more control? The question itself seems contradictory. Interpretations differ: Pollitt and Bouckaert (2004, 142–143) state that some have seen 'management' invading politics while others have suggested that management reform has been a vehicle with which executive politicians have gained a tighter grip on their officials. The conclusion to this contradictory issue seems to be that what politicians actually have wanted is 'more control with less responsibility' (Llewellyn and Tappin 2003, 959; see also Pollitt and Bouckaert 2004, 143–145).

Pollitt and Bouckaert (2004, 143) quote Jon Pierre's explanation: 'on the one hand we see policy-makers using administrative reform to displace accountability for public policy; on the other hand we see the very same policy-makers trying to increase their control over bureaucracy. Whilst this appears to be two inconsistent developments, they may in fact reflect a general desire among elected politicians to increase their influence over bureaucracy while at the same time avoiding responsibility for the bureaucracy's actions'.<sup>36</sup> Pollitt and Bouckaert (*ibid.*, 147) suggest that executive politicians have been cunning as they have actually reasserted the distinction between politics and administration, now calling the latter 'management'. Consequently, managers are responsible for achieving targets but if something goes wrong, politicians can appear to rescue the situation by intervening with inquiries, inspection teams, restructurings and other means of 'crisis management'. The willingness of politicians to decentralise responsibility may have to do with the difficulty of being a minister in an era of economic pressures. Pollitt and Bouckaert (*ibid.*, 146) point out that during the construction phase of

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<sup>36</sup> Page 3 in Pierre, Jon (ed.), *Bureaucracy in the modern state: an introduction to comparative public administration*. Aldeshot: Edward Elgar.

a welfare state, it was more comfortable to be a minister because ministers could introduce new benefits. Nowadays, ministers are usually engaged in 'streamlining, repackaging, marginally modifying, or actually downsizing ('decrementing') existing programmes'. Citizens have become more critical than in the past and also the media is more aggressive and sceptical so that making awkward decisions is even more awkward than it used to be.

Llewellyn and Tappin (2003, 958–959) reason that 'administrators' were replaced by 'managers' and 'policies' by 'strategy' because politicians were not content with a situation in which they had responsibility without control. The authors argue that when a policy for a public service was articulated at the national political level and the administration implemented it, the professionals running the service made the actual decisions. The citizen as a consumer of public services faced the policy in practice and viewed politicians as responsible for that policy, although it was an aggregate outcome of the decisions that individual professionals in the public services had made. Llewellyn and Tappin's basic claim is that politicians needed bold managers, not passive administrators, to control professionals and to solve difficult allocation problems in conditions of increasing financial constraint. The latter issue was suitable to be delegated to the local level. However, while policies were not suitable vehicles for devolving responsibility, strategies were. In addition, strategies are prioritising in nature and thus, they direct resource allocation, which helps to control professionals keen to advocate resources to their own function (*ibid.*, 959).

The above account of Llewellyn and Tappin's reasoning may be too imaginative and probably does not apply to every country adopting NPM. However, in many countries, decentralisation has aimed at making bureaucracies more responsive to political steering (Aucoin 1997, 195), which means that politicians clearly have wanted to gain more control, perhaps without assuming additional responsibility as some observers have suggested.

## 3 The Finnish model of strategic steering

This chapter addresses the second research question: ‘What has been the Finnish interpretation of the role of ministers in administrative reforms since 1987?’ Thus, this chapter introduces the Finnish model of strategic steering as it emerged in reform documents between 1987 and 1995 in line with Management by Results. The subsequent development with the aim of strengthening political steering is presented as well, resulting in a refined model of strategic political steering with no direct linkage to Management by Results.

First, the relationship of Finnish reform policy to NPM is discussed. Then the contents of the Finnish reform policy are reviewed, with emphasis on the theme of decentralisation between 1987 and 1995, which has consequences for ‘the Finnish model of strategic steering’. Management by Results as a reform is part of the decentralisation tendencies, and its principles are briefly presented before moving into the empirical part in Chapter 3.3. There it is shown that the idea of strategic steering is related to the reform of MBR. This is also supported by the interview data. In this chapter, the Finnish model of strategic steering is extracted from reform documents. Although the model was created by 1995, later improvement projects of MBR and their views of the role of ministers are analysed as well. Consequently, this model, the ‘theory’, is contrasted with the actual practices in Chapter 3.4. Chapter 3.5 is a step forward, analysing the reform documents from the point of view of strengthening political steering, which seems to be one of the central concerns in reform talk since 1995. It is argued that this strengthening has to do with the weakness of political control in Management by Results, as opposed to the model that was created in the first place.

### 3.1 Finland and NPM

NPM ideas have been diffused broadly, but there are clear differences between levels of enthusiasm in different countries as the discussion in Chapter 2.1.2 showed. Finland belongs to the group of countries that has not ‘bought the whole NPM package’ but has acted cautiously and selectively (Pollitt 2003, 37). In Pollitt and Bouckaert’s (2004) grouping (see chapter 2.1.2), Finland belong to the group of modernizers, characterized by a reform model called Neo-Weberian State.

In their five-country comparison of Denmark, Finland, the Netherlands, New Zealand and the UK, Pollitt *et al.* (1997, 6) emphasise that the trajectories of reform in the five countries studied have been very different from one another. There are some similarities between the Nordic countries and between the ‘Westminster system’<sup>37</sup> countries of New Zealand and the UK, but between these

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<sup>37</sup> By the Westminster system, Pollitt *et al.* (1997, 7) refer to single-party Governments, single-member plurality electoral constituencies and an emphasis on majority rule. This description applies to New Zealand when it adopted NPM reform policy, but since 1996, the electoral system has been proportional.

two groups, there is a clear difference. In addition, the case of the Netherlands is a distinctive story (*ibid.*, 8). As for the six dimensions of public management reform, Finland seems to have been 'high' only on traditional restructuring and on output orientation for organisations (but low for individuals). Use of market-type mechanisms has been 'medium' as has the degree of decentralisation that has taken place mainly from central to local government. The intensity of the implementation process is characterised as medium or low and use of privatisation as low. The most marked differences between Finland and the cases of New Zealand and the UK are in the use of privatisation and market-type mechanisms. Also the intensity of the implementation process has been quite different, partly because of the difference between consensual and majority Governments (*ibid.*, 16).<sup>38</sup>

To the extent that Finland has borrowed from the 'NPM-toolbox', OECD has provided a forum for the exchange of ideas and experiences, or as Kerstin Sahlin-Andersson (2003, 48, 54) points out, a forum for diffusing accounts and presentations of ideas and practices. In particular, PUMA, the Public Management Service of OECD and the Public Management Committee directing the work of Public Management Service, has been an important mediator and 'editor' of NPM ideas (*ibid.*, 60).<sup>39</sup> While PUMA mainly collects information and compares countries, it also encourages reform and acts as a trend-setter for 'reputation-conscious' governments (*ibid.*, 64). Since the late 1980s, Finland has played an active role in the PUMA network (Salminen 2001, 143; Rothwell and Pollitt 1997, 57). However, the international influence over Finnish reforms has been characterised as 'broad', while reforms have been mainly 'home grown' in the sense that they are not explicit copies of programmes in other countries (Rothwell and Pollitt 1997, 57). In sum, the Finnish reforms of public administration were informed by the NPM movement but the actual solutions were pragmatic applications.

Various explanations for the reform activities in Finland have been offered. According to Sandra Rothwell and Christopher Pollitt (1997, 51), most commentators highlight economic factors while many emphasise internationalisation, in the sense that national competitiveness requires improved performance in the public sector. Pollitt and Bouckaert (2004, 240) note that most of the reforms were already on the agenda before the economic downturn but the economic crisis 'strengthened the hand of reformers'. Officials responsible for public management reform even consider that economic recession was decisive in implementing the reforms (Karhu 2006, 285). Similarly, Markku Temmes (1998, 447–448) has pointed out that the public sector was criticised for the old-fashioned and bureaucratic structures, systems and administrative culture already in the 1980s and the reforms were initiated then. The actual pressure for reform is firmly connected to

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<sup>38</sup> The grouping of Finland varies depending on the criteria used. Roger Depré et al. (1996, 286) have grouped Finland together with the Netherlands next to UK, between high and medium degree of transition from traditional public administration to NPM.

<sup>39</sup> As an OECD committee, PUMA was formed in 1990 (Sahlin-Andersson 2003, 60) and nowadays is called Public Governance Committee.

the crisis of the welfare state (Temmes and Kiviniemi 1997, 18). Also the reform ideas from OECD and the fact that administrative reform rose to the political discussion explain the fierce change (*raju muutos*) in Finland (ibid.). Many Anglo-Saxon commentators would probably not consider the Finnish reforms fierce, but when the changes are contrasted with the stability that was characteristic for a long time, it is legitimate to call the change 'fierce' (cf. ibid., 11) and the Finnish administrative policy 'radical', 'to Nordic tastes' (Temmes 1998, 454). Markku Harrinvirta's (2000, 88) comparison of OECD countries showed that the scope and intensity of public sector reforms in Finland rose above the OECD average during the period 1991–1995, although it was close to the average between 1985 and 1990.<sup>40</sup>

It was mainly senior civil servants who were architects of the administrative reforms in Finland (Pollitt and Bouckaert 2004, 58; Rothwell and Pollitt 1997, 73). However, the Permanent Ministerial Committee for Public Management Reform, established in 1987, prepared all the most important Government reform decisions between 1987 and 1995 (Rothwell and Pollitt 1997, 69) and thus, reforms were under political control and acceptance. Another Finnish feature of reform policy was that it was made unanimously and without much discussion, at least in the eyes of the general public. According to Rothwell and Pollitt (1997, 81), there was little evidence either of lively and informed public debate about the management reforms of the period 1987–1996 or of Government attempts to encourage such discussion. Thus, policy debate was conducted inside the small administrative and political elite. Also inside the elite, the goals of the reforms were widely accepted: 'Ideologically weighed grounds have not laid the basis for the discussion of the reforms' (Tiihonen 1999, 20).

## 3.2 The Finnish reform agenda

### 3.2.1 Overall picture: from 1987 to 2003

Administrative reform in Finland is characterised by continuity and consensus. According to Tiihonen (1999, 20), the general principles of reforms have remained very much the same since the end of the 1980s, emphasis being on market-oriented methods and economy and efficiency, with the purpose of increasing the competitiveness of the Finnish economy. The period of administrative reform explored in this study begins in 1987 and ends in 2003. During this period, there were four Cabinets, all remaining in office the whole electoral period.

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<sup>40</sup> In all countries, the score in Harrinvirta's index rose from the former period to the latter, with the exception of Japan, whose score remained the same.

As regards the most reform-intense period, 1987–1995, the main lines of public management reform stayed the same during and between Governments, although, of course, some differences in emphasis can be observed. The Holkeri Government focused on systems of control, improvement of management skills and reforming particular sectors of government, while the Aho Government seemed to place more emphasis on greater economic efficiency, higher performance and increased productivity through the decentralisation of public management (Rothwell and Pollitt 1997, 60). The Holkeri Cabinet was a coalition of Social Democrats (SDP), the National Coalition (KOK), the Swedish People's Party (RKP) and the Rural Party (SMP). The Aho Cabinet between 1991 and 1995 was a coalition of the Centre Party (KESK), KOK, RKP and the Finnish Christian League (SKL). The emphasis on economic efficiency in the latter Cabinet is not explained so much by the changes in the political composition, as by the fact that the Aho Cabinet faced the reality of economic recession as soon as it was nominated.

The reform agendas of the Holkeri and Aho Cabinets formed the basis of NPM reforms in Finland. In practice, however, it is a question of homemade solutions and cautious adoption of NPM-type reforms. Individual reforms during the period of 1987–1995 were numerous and the content of the reforms various (see Pollitt and Bouckaert 2004, 244–246), but three key reforms stand out: Management by Results, reform of the state subsidy system to municipalities and reforms of state enterprises and state-owned companies (Temmes and Kiviniemi 1997, 18). These three reforms are addressed in the next chapter as part of the decentralisation tendencies. In addition, Management by Results as a model is described in Chapter 3.2.3.

Since 1995, the intensity of reform has been much lower in Finland than in the previous decade. Emphasis on economic efficiency was the doctrine of Lipponen's first Cabinet. The public management reform agenda of the Lipponen Cabinet was less extensive than that of the two previous Cabinets. The Permanent Ministerial Committee for Public Management Reform established in 1987 did not continue in the Lipponen Cabinets. There was, however, a minister responsible for administrative affairs and a 'Ministerial Working Group on Administration and Regional Development'. The elections of 1999 did not change much of the Lipponen Cabinet. Paavo Lipponen himself continued as Prime Minister and the parties involved in both Lipponen first and second Cabinets were SDP, KOK, Left Alliance (VAS), RKP and the Green League (VIHR). A similar ministerial group continued in Lipponen's second Cabinet, but there was no longer a specific 'administration minister'. Instead the second minister in the Ministry of Finance was responsible for central government and the second minister in the Ministry of Interior was responsible for regions and municipalities. When the Central Government Reform project was launched in 2000, the 'Ministerial Working Group for Supervising the Reform of the Ministries and Central Administrative Boards' was established.

Major reforms of Lipponen's first Cabinet had to do with streamlining the regional administration and establishing the Regional Employment and Economic Development Centres (*TE-keskus*) while Lipponen's second Cabinet engaged in

central government reform, launching the Central Government Reform project (*keskushallintohanke*) in 2000. The reform project was based on ideas already developed during Lipponen's first Cabinet's 'Governance project' (*Valtioyhteisön hallintopolitiikkahanke*). The governance project resulted in Government resolution 'High-Quality Services, Good Governance and Responsible Civic Society' published in 1998. During the first year of Lipponen's second Cabinet in 1999, the Ministry of Finance asked the ministries to report on what kinds of measures they had taken as a result of the resolution. Ministries reported that they had delegated tasks to lower levels of administration, increased evaluation activities and improved services. They also mentioned 'quality work', improvement of Management by Results and strengthening ownership policy. In addition, most of the ministries reported that they had taken or had begun taking action to develop their ministries into strategically-oriented actors advising the Government. These latter activities included delegation of tasks, reorganising supporting and service functions, outsourcing and organisation reforms inside the ministry (Ministry of Finance 2000a).

In addition to the preparation work made for the Government resolution of 1998, another important factor supporting the launch of Central Government Reform project in 2000 was the fact that three foreign experts, Geert Bouckaert, B. Guy Peters and Derry Ormond, were asked to evaluate the state of the Finnish central government. Their report was published in June 2000 (Bouckaert *et al.* 2000) and at the same time the Central Government Reform project was officially launched. The project consisted of thirteen sub-projects and the key areas covered by the project were 'strengthening internal cooperation within the government'; 'strengthening the role of the ministries in steering their branches of government'; 'ensuring central government's competitiveness as an employer'; and 'ensuring the efficiency and further development of the information systems of the Government and the ministries' (web-page of the Ministry of Finance: Central Government Reform, cited 27 June 2005). The preparatory work first resulted in the summer of 2001 in the 'Standpoint of the Ministerial Steering Group to the Reform of Central Government' (Ministerial Group 2001) and a year later in another standpoint (Ministerial Group 2002). The implementation proceeded in line with the suggestions of the Ministerial Group. However, the most visible reform introduced was the adoption of the Programme Management approach, which could begin only after the new Government was nominated in April 2003.

### **3.2.2 Decentralisation as a central theme in the reform agenda**

Decentralisation constitutes the core of the Finnish reforms. As suggested in Chapter 2.3, strategic political steering in the NPM model has to do with decentralisation because it frees managers to manage, delegating authority from political decision-makers to officials. Decentralisation is not, however, an NPM-bound phenomenon and it has many possible dimensions. In addition, decentralisation

is not similar everywhere, partly because different countries have different starting points from which to decentralise authority, responsibility and accountability (Aucoin 1997, 176). The purpose of this chapter is to examine the Finnish starting point for the discussion of decentralisation and to review the actual reform agenda from the point of view of decentralisation, including state-municipality relationships, abolition of the system of central agencies and the introduction of Management by Results.

According to Pollitt and Bouckaert (2004, 87–88), Finland was already extensively decentralised before the public management reforms of the 1980s and 1990s. Nevertheless, decentralisation has been part of Finland's reform agenda. Markku Temmes and Markku Kiviniemi (1997, 66) emphasised two Finnish characteristics in the problem of finding an equilibrium between centralisation and decentralisation. First, municipalities in Finland have had a strong and independent position in relation to the state administration based on the constitution, which guarantees self-government and the right of taxation to municipalities (Constitution of Finland, section 121; Salminen 2001, 146). The strong position of municipalities has made it natural to discuss centralisation and decentralisation issues in regard to state-municipality relationships (Temmes and Kiviniemi 1997, 66). Secondly, a two-tier central government, Swedish-style central agencies, emphasised the position of central government. These two features were the points of departure in the reform work.

The most salient form of decentralisation in Finland in the period of reform wave between 1987 and 1995 was political decentralisation from the state level to the local level, that is, municipalities were given lump sum budgets and there was also extensive deregulation. Although municipalities already had a relatively strong and independent position, it had become evident by the end of the 1980s that the central agencies and boards were too powerful and too bureaucratic in controlling how municipalities should spend their money (Rothwell and Pollitt 1997, 62). Thus, in 1993, there was a move to 'block grant' financing of municipalities. According to this 'lump sum budgeting', the state allocates resources to municipalities based on their population and other socio-demographic variables, while each municipality can arrange the service production the way it deems suitable (see Salminen 2001, 146). In Finland, municipalities have the main responsibility for welfare services; local authorities provide about two-thirds of all public services and the state about one third (OECD 2000). One of the aims of the reform was that while municipalities can decide how to use resources, they have an incentive to produce services in the most efficient way.

Another significant decentralisation measure was the abolition of the system of central agencies in the beginning of the 1990s, which was done gradually, case by case. According to Raimo Savolainen (1999, 119), the two-tier central government with ministries and central agencies was criticised because of the double handling of issues and the lack of clarity in steering relations. While the state finances needed fast cuts and international examples showed that the most efficient way to rationalise was to privatise the units of central organisations, or to

transform them into state enterprises, or adopt budgeting for results, the Finnish Government decided to abolish the double system and to adopt rationalisation measures (*ibid.*). There were different solutions. Some of the central agencies were transformed into state enterprises and some of them were further transformed into state-owned companies. Some of the tasks of the central agencies were separated and new agencies formed or merged. Agencies specialising in development and research were also established (Savolainen 1996, 395–396). In addition, some of the tasks were delegated to lower levels of administration. However, some of the tasks of the central agencies were transferred to the ministries as opposed to the decentralisation tendencies.

The abolition of the system of central agencies was an important prerequisite for the steering capacity of the ministry as the steering relationship between ministry and central agency was problematic, characterised by the independence of the leadership of the strong agencies (Temmes and Moilanen 2000, 21). It was argued at the time that detailed steering and control associated with strong central agencies do not suit Management by Results (*Yksiportaiseen keskushallintoon* 1992, 2). While the abolition of the system of central agencies strengthened the position of ministries, Management by Results improved their steering capacity (Temmes and Moilanen 2000, 22). MBR was gradually introduced to the sectors of government between 1991 and 1995.

After the restructuring of the agency field, Management by Results was more suitable to a system in which ministries had a clear steering relationship with agencies. This steering relationship was not anymore detailed and controlling by nature but rather strategic, since Management by Results as a steering form is strategic steering, in which operative decision-making is delegated where implementation takes place (cf. Lumijärvi and Salo 1996, 11). Management by Results presents a form of ‘managerialist decentralisation’ because it delegates operational authority and financial discretion to the organisation level that is responsible for the actual service (Temmes and Kiviniemi 1997, 67). In the next chapter, the principles of MBR are presented in more detail and in Chapter 3.3, MBR is shown to have introduced the principle of strategic steering in Finland.

### **3.2.3 MBR as a model**

MBR reform in Finland is contemporaneous with reforms in other countries, such as Sweden’s performance management initiative, ‘to redraw the relationship between policy and administration by withdrawing ministries from operational matters, refocusing them on performance and results, giving agencies discretion in managing their resources, and holding them accountable for meeting targets’ (Molander *et al.* 2002, 21). Management by Results works mainly through budgeting. Both from the Finnish and the international perspectives, in the first adoption phase, MBR could well be called ‘budgeting for results’ (cf. Schick 1990), although nowadays, ‘performance management’ is preferred, indicating a more

complete focus on performance. When budgeting for results was introduced to many countries in the 1980s, the aim was to make 'budget spenders' into 'budget managers' (Schick 1990, 31). Techniques of budgeting for results have not been introduced only to make more rational budget decisions, but also to change management styles and cultures generally (ibid., 32). To become a 'budget manager', a certain level of decentralisation is needed. However, 'letting managers manage' does not necessarily mean that they will, so that 'making managers manage' is also needed, a goal achieved through performance level requirements (ibid., 33).

In Finland, traditional budgeting, based on detailed input, was gradually altered to results based budgeting through pilot projects. Three pilot agencies started in 1988. Between 1991 and 1995, Management by Results was gradually introduced to the whole state government. MBR entailed the idea that resource needs would be based on agreed-upon result targets (*Ministeriö tulosohjaajana* 1990, 17). Thus, results rather than inputs would be the starting point. In addition, agencies gained a lump sum budget for their operating expenses, thus giving them more discretion. At the time of the introduction of Management by Results, the main changes resulting from the reform were summarised in five points (*Ministeriö tulosohjaajana* 1990, 19): 1. Authority and responsibility (or accountability<sup>41</sup>) are taken to lower levels than before and they are linked to each other; both sides (ministry and agency) will commit to agreed-upon result target and agreed-upon resources. 2. Management is personally responsible for achieving the result. 3. The steering relationship between levels of administration is altered from resource-steering to a dialogue emphasising policy and result targets. 4. The authority to use agreed-upon resources is given to the unit responsible (accountable) for the result. 5. The personnel of the result unit achieving the result target are entitled to a reward.<sup>42</sup>

The reform had the overall aim of strengthening political steering; the whole definition of MBR is about achieving political will as much as possible: 'Management by Results refers to those decision making, coordinating and negotiating processes through which the Government [Council of State], the ministries and the management of agencies aim to make sure that the state government as a whole acts as successfully as possible, that is, implements as efficiently as possible the intentions of the Parliament and the Government.'<sup>43</sup> (*Ministeriö tulosohjaajana* 1990, 17). Today, although MBR is still a valid concept in Finnish, the Finnish government uses the concept of 'performance management' in its documents in English translations. The definition of the steering system is currently more

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<sup>41</sup> In Finnish, the term *vastuu* usually covers both responsibility and accountability; *tilivelvollisuus* is used explicitly to refer to accountability.

<sup>42</sup> The goal of this study is not to provide an account of the success or failure of MBR, but what can be said, based on earlier studies, is that the most striking difference between these ideas and the actual practice has concerned the personal responsibility of the management and the rewards to personnel.

<sup>43</sup> *Tuloksellisesti* was translated as 'successfully'.

technical: performance management is ‘an agreement-based steering model aimed at finding a balance between the available resources and the results it is possible to achieve using these resources’ (web-page of the Ministry of Finance: steering mechanisms, cited 18 October 2005). Thus, the political will is no longer attached to the definition, although the Government Programme is mentioned as a basis (see also Ministerial Group 2002, 22).

### **3.3 Strategic steering and MBR in the reform documents**

The general NPM-model of strategic steering and the inconsistencies of the model were described in Chapter 2.3. In this chapter, the Finnish interpretation of the role of ministers is described. In fact, it is not an easy task, because direct references to the role of ministers or to the role of politicians in general are scarce in the reform documents. First, however, it will be shown that the principle of strategic steering was part of MBR in Finland.

In Finland, the principle of strategic steering was introduced in line with Management by Results. This claim is supported both by documents and interviews with top officials. In the interviews, officials were asked when the need for strategic management emerged in the state administration (as a discourse). Many first said that they were not able to locate the point in time when strategic management emerged or else they maintained that it had always been present. All, however, refined their answers. Thus, out of twelve to whom the question was presented, ten located the emergence of strategic management as a management discourse in the 1990s or in Management by Results, which in effect means the 1990s. Six interviewees located strategic management specifically in the beginning of the 1990s or with Management by Results, while three were of the opinion that it was after the mid-1990s, although one stated that it was at the same time when ‘results thinking’ was being promoted (*‘tulosajattelua ajettiin’*). This may reflect the fact that although MBR was implemented by 1995, it was not until years later that the thinking, or culture, started to change. One interviewee was less specific, connecting strategic management to the 1990s in general. In addition, one official could not tell when strategic management emerged in the government as a whole but located the strategy work of that specific ministry at the beginning of the 1990s. Although strategic management was often linked to MBR, one official pointed to another management tool, the Government Strategy Portfolio, as a starting point for strategies, but he was not able to comment on the general emergence of strategic management discourse.

Especially when compared with the documentary data that are shown below, one official had a sharp view of the connectedness of MBR and strategic steering:

‘MBR came about 10–12 years ago, in the beginning of the 1990s and it was about the same time when the discourse emerged that ministries should be “strategic headquarters” and while tasks were delegated – MBR came – this also meant that strategic thinking was emphasised.’(an official)

*Tulosohjaus ja -johtaminen tuli siinä 10–12 vuotta sitten, 1990-luvun alussa ja niillä main kai sitten alettiin puhua myös siitä, että ministeriöiden tulisi toimia strategisina esikuntina, että samalla kun tehtäviä delegoitiin pois, tulosohjaus ja -johtaminen tuli, niin samassa yhteydessä sitten strateginen ajattelu tietysti korostui.*

While steering mechanisms have been reformed, it has been unclear what the role of political decision-makers would be in the altered situation. Lähdesmäki (2003, 189) argues that the role of political steering in the system of Management by Results was unspecified in the beginning, but later on, the role has been defined as strategic steering. In fact, the analysis of reform documents shows that the role of Parliament was explicitly under consideration in the Government decisions and working group reports before 1995, while the role of ministers did not receive much attention. However, with the role of Government under consideration, the idea of strategic steering was implicitly present from the beginning. It was already in the Holkeri Government’s first decision on administrative reform in 1987, addressing administrative decentralisation, where it was stated that decentralisation means, among other things, that ‘the Government defines the goals of administration, gives frames to [administrative] action and prioritises focal projects and actions’ (Gov.Dec. 1987).<sup>44</sup> Thus, ministers were to operate at the level of strategic decision-making.

As regards individual ministers in their departments, it seems that the only clues about a minister’s role can be drawn from the task definitions for ministries. However, there are no regulations about Management by Results as a management model; only budgetary preparation is regulated and there are references to such things as result targets, which would indicate that MBR is the model in use. Thus, the task definition for ministries in the system of MBR is found in the *Ministeriö tulosohjaajana* report (best translated as ‘Ministry’s role in steering by results’), published in 1990, which is a working group memo that gained the status of an MBR handbook (see Ministry of Finance 1995, 5). The first task of the ministry is ‘to make strategic decisions about the administrative sector and tasks that have to do with policy (*toimintapolitiikka*), of which the most central are the political steering of the subordinate administration, setting of result targets as well as acceptance and monitoring, and the staffing of top management’ (*Ministeriö tulosohjaajana* 1990, 24). After listing all five tasks of the ministry, the

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<sup>44</sup> In the Finnish text, *valtioneuvosto* was used. It can refer to both the Cabinet and the ministries, or only to the Cabinet, officially the Council of State as a direct translation of ‘valtioneuvosto’. The interpretation made here is that *valtioneuvosto* refers to the Government, that is, the Cabinet, which is aided by the ministries.

report states that decisions having to do with the subordinate administration and belonging to the responsibility of the ministry were to be based on a negotiation process whereby the subordinate administration presents its arguments for the targets and resources needed (ibid., 25). It further stated that the ministry would be responsible for mediating the political steering, and that part of the political steering of which the ministry is responsible, is included in these strategic definitions of policy lines negotiated between the ministry and its subordinate administration (ibid., 27–28).

Ministers' roles are not mentioned at all in the role definitions of the ministry and its subordinate administration. However, since a minister is the head of a given ministry, he or she is ultimately responsible for strategic decisions. Still, it seems that the minister's role is to present the political will and top officials would ensure that the political will is conveyed to the administration through the result negotiation process. Political will is defined as the will of Parliament and the Government. This is expressed in the definition of Management by Results (ibid., 17), according to which MBR denotes 'those decision-making, coordinating and negotiating processes through which the Government, the ministries and the management of agencies aim to make sure that the state government as a whole acts as successfully as possible, that is, implements as efficiently as possible the intentions of the Parliament and the Government'. Thus, the key in the whole process is that the will of the Parliament and the Government is realised.

During the Aho Cabinet, MBR was further promoted and extended to the government as a whole. In a memorandum to the 1992 decision about public sector reforms (Gov. Dec. 1992), it was stated that changing to an administration which acts according to MBR also entails new demands in political decision-making. It was emphasised that political decision-makers should be given chances to concentrate on socio-politically significant issues instead of on details. This seemed to refer both to parliamentarians and to ministers. 'Socio-politically significant' can be interpreted as equivalent to 'strategic'. It was also emphasised that there is continual need to improve chances for the Government and individual ministers to steer the administration. 'Conditions must be created so that the Government can focus on essential socio-political decisions' (Gov. Dec. 1992 memorandum).

This memorandum to the 1992 decision about public sector reforms (Gov. Dec. 1992) clarifies somewhat the distribution of responsibilities between the political level and the administration. Interestingly, the memorandum stated that 'Management by Results does not signify and *should not* signify the transfer of power as regards essential issues from the political level to the level of administration' (emphasis added). It is argued that Management by Results clarifies the distribution of authority and responsibility between these two levels, referring to a figure where 'political responsibility area' and 'managerial responsibility area' are separated. In this figure, political steering and Management by Results are connected by common indicators of effectiveness and economic efficiency, but Management by Results as such is the responsibility of the managerial level.

Explicit attention to the strategic role of both ministries and ministers was paid first in Pekka Ojala's one-man committee report in 1992 (*Yksiportaiseen keskushallintoon*) and then confirmed in the Government's decision in principle in 1993. Ojala (*Yksiportaiseen keskushallintoon* 1992, 11) wrote that 'The goal in clarifying the distribution of tasks between ministries and other units of central administration has been to transfer such tasks away from ministries that do not relate to strategic management of the sector.' Ministries were to be responsible for strategic management of the units of central government in their sector (*ibid.*, 15), while 'the task of the Parliament and the Government is the strategic steering of administration' (*ibid.*, 22). This task of the Parliament and the Government is specified: 'They set the central service and productivity targets for public administration in legislation, in budgetary decisions and other procedures of Management by Results.' This task definition is repeated in the Government's decision in principle in 1993 (Gov. Dec. 1993, 8). In its explanation memorandum, Government Programme and Frame Budgeting are added to the definition (Gov. Dec. 1993, 21): strategic steering decisions are made by the Government in its Government Programme and by the Parliament and the Government when they set central service and productivity targets for state administration in legislation, in budgetary decisions and in 'frame procedure' (referring to Frame Budgeting). Thus, the task of the Government is the broad strategic steering of the administration, while the ministry sets the target results of its subordinate administration (*ibid.*, 22).

These definitions of the roles of ministers are highly abstract and were modified at a time when Management by Results was being developed and before it was adopted in all sectors of government. When the need to improve procedures of Management by Results became clear, working groups were set up to figure out solutions. Interestingly, however, these working groups, including the Ministry of Finance 1995 and 1997a, did not commit themselves on defining the roles of ministers. While the starting point of the former working group was more technical, the latter had the explicit goal of developing the role of political steering in Management by Results. It was stated in the assignment of the working group that currently, MBR operates inside the administration while individual ministers, the Government and the Parliament should be more closely involved in the process (Ministry of Finance 1997a, 1). In practice, this question was by-passed by referring to the need to improve the quality of information, especially from Parliament's point of view (Ministry of Finance 1997a, appendix 3, 5). As regards the political steering role of the Government, the focus was on improving the processes of Frame Budgeting and the Government Strategy Portfolio (*ibid.*, 6–7). Consequently, it was quite surprising that a year later, the role of ministers in the actual process of MBR was emphasised in the Government's Decision in principle (Gov. resolution 1998): there it was stated that 'because the minister is responsible for the socio-political effectiveness and results of his/her branch, he/she is *personally responsible* for defining the result areas, result targets and key results of the ministry' (*ibid.*, 21, emphasis added). This statement was, however, somewhat watered down on the following page of the Decision where it was noted that min-

isters themselves decide how extensively they take part in Management by Results (ibid., 22).

Lipponen's second Government continued with the aim of improving Management by Results. This resulted once again in a working group set up by the Ministry of Finance, whose memo (Ministry of Finance 2001) addressed the role of political decision-makers very generally: 'The role of political decision-makers has become more clearly that of strategic steering and setting of target results in addition to the earlier role of making input decisions' (ibid., 5). In a more comprehensive working group memo two years later (Ministry of Finance 2003a), entitled 'Strengthening the Performance Management' as translated in the English summary, the role of political decision-makers was not addressed. It focused on strengthening the steering role of ministries and the quality of information given to Parliament.

Overall, while the role of politicians was addressed at an abstract level in the reform documents, it is evident that the idea of strategic steering was at least implicitly present from the beginning of MBR reform and became more explicit over time. Nevertheless, Lähdesmäki (2003, 137–143) is right to note that emphasis on political steering rose to the administrative reform agenda only in the latter half of the 1990s. This tendency is described in Chapter 3.5.

### **3.4 MBR and political steering: theory and practice contrasted**

The role prepared for political steering in Management by Results was described above. Essentially, 'the task of the Parliament and the Government is the strategic steering of administration' (*Yksiportaiseen keskushallintoon* 1992, 22). This means that the Parliament and the Government 'set the central service and productivity targets for public administration in legislation, in budgetary decisions and other procedures of Management by Results' (Gov. Dec. 1993, 8). More specifically, strategic steering decisions are made by the Government in its Government Programme and by the Parliament and the Government when they set central service and productivity targets for state administration in legislation, in budgetary decisions and when budget frames are set (Gov. Dec. memorandum 1993, 21). Thus, ministers and members of Parliament have an effect on service and productivity targets that are stated in law and in the state budget, while the actual target results for subordinate administration are set by the ministries (ibid., 22).

As a form of decentralisation, MBR implied delegation of authority from ministries to agency level and thus from political decision-makers to public managers. In principle, MBR includes the idea that while operative discretion is in the hands of the administration, politicians do not lose their power because they steer the administration through strategic guidelines. Nevertheless, a comprehensive assessment of the NPM reforms in Finland found that one of the central criticisms of MBR was the gap between political steering and steering by results (Temmes

and Kiviniemi 1997, 81). Theoretically, it is assumed that Management by Results does not create this kind of gap, at least when results are specified so that they can be measured, when resources are sized to correspond to result objectives and when the attainment of result objectives is monitored and there are incentives for their attainment. This way, control is not lost, although control over detailed input is given up (see Virtanen 1996, 4).

When the above principle is adapted to the politico-administrative relationship, it means that while authority is delegated from the Parliament and the Government down to the ministries and from the ministries down to the agencies, relationships of responsibility and accountability should be created between agencies and ministries and further between ministries and political decision-makers. According to Harrinvirta (1998, 24), one of the most important deficiencies of MBR has been that the autonomy of the administration has been clearly enhanced, while the accountability chain has not reached the level of the Parliament and the Government. Later on, reporting practices improved, but still, the failure to achieve results does not have consequences because there are no sanctions (Blöndal *et al.* 2002, 147).

While it was emphasised in the memorandum to the Government Decision 1992 that 'Management by Results does not signify and *should not* signify the transfer of power as regards essential issues from the political level to the level of administration' (emphasis added), it has become evident that political steering is not adequately linked to MBR. This was acknowledged by the administration reformers themselves, most strikingly in the assignment of a working group that was asked to find ways to improve MBR (Ministry of Finance 1997a). In the assignment, it was stated that currently, MBR operates inside the administration while the individual ministers, the Government and the Parliament should be more closely involved in the process (see also Ministry of Finance 1997a, Appendix 3, 5).

The Parliament especially has been concerned about the loss of budgetary authority, both because of the Frame Budgeting and MBR (e.g., Aula 2003, 99; Rothwell and Pollitt 1997, 55). A working group initiated by Parliament endeavoured to find means of improving information (*Kertomusmenettelytyöryhmän mietintö* 2002). Earlier, the Parliament took the initiative to move the State Audit Office from the Ministry of Finance to an independent office of the Parliament. This change happened on 1 January 2001 (Blöndal *et al.* 2002). According to Jon Blöndal *et al.* (*ibid.*, 137), this was an extremely important step in the efforts of parliamentarians to be more involved in the performance budget process. Now the State Audit Office can more effectively answer the information needs of the Parliament.

Although MBR has meant mainly a loss of parliamentarians' budgetary authority, ministers have not either been intensively incorporated into the new steering system. They have, in fact, only a minor role in the system of Management by Results (Pöllä and Vuorela 2001, 8; see also Kiviniemi 1996, 13, and *Kertomusmenettelytyöryhmän mietintö* 2002, 5). However, somewhat contradictory to these reports, Blöndal *et al.* (2002, 146) state that ministers are, with some exceptions, involved in the negotiations and signing of result contracts. This contra-

diction may be a question of the level of involvement or the fact that Kaisa Pöllä and Terho Vuorela (2001) analysed both the process where result contracts are made and the following-up monitoring, while Blöndal *et al.* (2002) mentioned the signing of result contracts as well, which may be purely a formality. Accordingly, Petri Uusikylä and Petri Virtanen (1999, 7) state that '[e]ven if it is the minister who most often signs the contract, his or her role is often rather distant as far as the contract negotiations are concerned'. In 2005, the Ministry of Finance published a 'Manual of Performance Guidance' (*Tulosohjauksen käsikirja 2005*, ed. Matti Salminen) in which the Ministry of Trade and Industry was presented as a best practice. In the description of the 'best practice', the minister's role was not mentioned at all. Rather was the head of the ministry's respective department who was identified as responsible for the process (*ibid.*, 44). It seems that the current official view is that the minister does not need to be involved. Altogether, it seems that there are different situations in different sectors as regards ministers' involvement. The variation may result from the fact that different ministries have different numbers of subordinate units, and some do not have any agencies, only regional and local units.

In the interviews for my thesis research, I did not ask directly about the roles of ministers in the system of Management by Results. However, almost all officials mentioned MBR and those who did not were representing either the Prime Minister's office or the Ministry of Finance. Since the structure of the interviews was different in these cases, it is not surprising that MBR was not brought up.<sup>45</sup> Of those interviewees who mentioned MBR, the majority considered the minister to be involved in the process. Astonishingly, however, one interviewee emphasised that the minister has absolutely nothing to do with MBR in the ministry in question. This statement was made after the interviewee had expressed the opinion that there are not really any tools for steering the entire sector after which the interviewer asked whether MBR might be considered such a tool. An explanation for the interviewee's opinion was then provided: there is no point in involving the minister because nothing new can be achieved owing to scarce resources; everything simply continues as before. Milder versions of the same view cropped up where limited time resources were mentioned or among those who saw MBR as a process of cooperation between officials in which minister's role does not need to be strong, a somewhat tautological argument.

Although from the officials' point of view, ministers were, in the majority of cases, involved in the process of Management by Results, ministers themselves hardly mentioned MBR in the interviews. In addition, while they were asked about the tools of strategic steering, only one minister mentioned MBR as such a tool. This was in a sector that does not have agencies, only local and regional actors. Altogether, it seems that the conclusion is the same as Pöllä and Vuorela's

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<sup>45</sup> As regards the Ministry of Finance, the focus of the interview was not on the role of the Minister of Finance within his ministry, but on more general issues of the Cabinet and the whole-of-government level.

(2001) who analysed all sectors of government<sup>46</sup> and studied ministers' role there. Likewise, Markku Kiviniemi (1996, 12–13), in a report on the experiences of the members of the Ministerial Committee for Public Management Reform, reached the conclusion that ministers' role in general are distant vis-à-vis MBR. This distance was reflected in Kiviniemi's study in the way that officials and ministers emphasised MBR's different shortcomings: officials stressed that ministries' steering role has not been sufficiently developed while ministers emphasised a democracy deficit. Pöllä and Vuorela (2001, 8) wrote that political steering does not happen through yearly negotiations and monitoring rounds of Management by Results, but through the Government Programme, the Government Strategy Portfolio, Government decisions or various other programmes and indirectly through annual budget frame decisions. More concretely, ministers may practice steering through specific assignments. Thus, strategic political steering has not, at least not intensively and in all sectors, happened through the process of Management by Results. It is question of a more abstract linkage between political steering and MBR. In fact, it seems that this abstract linkage is exactly the way political steering was thought to happen, as the model extracted from reform documents in the beginning of this chapter showed. The conclusion seems to be that political steering in the MBR model is quite vague and broad, while strategic political steering does not happen through processes of MBR. In the following pages the strengthening of political steering and how it rose to the reform agenda is examined. This discussion helps further to draw a picture of strategic political steering in the situation where MBR is not considered to offer such possibilities.

### **3.5 Strengthening of political steering in reform talk and action**

As the above discussion indicates, political steering through MBR has been weak. It seems that this weakness resulted in emphasis on efforts to strengthen political steering in the administrative reform documents evident since 1995. Certainly, problems with MBR are not the only reason for this emphasis, but the discussion leads us to pinpoint the methods of strategic steering that were deemed important. In their comparative analysis, Pollitt *et al.* (1997, 67–68) noted that the twin issues of political control of administration and accountability of senior civil servants 'lied in shadow' in Finland and a thorough public discussion of the 'primacy of politics' was overdue. Although the discussion in the reform documents does not fulfil the criteria of public discussion, it does seem that the 'primacy of politics' was accentuated during the Lipponen Governments, culminating in the preparation of the Programme Management approach in the Central Government Reform project.

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<sup>46</sup> Except the Ministry of Foreign Affairs, which is not a standard case insofar as Management by Results is concerned.

The first signs of the need to strengthen political steering in the period between 1995 and 2003 were presented in a working group memo that published its report in January 1995, thus before Lipponen's first Government came into office in April. The working group was set up to improve the system of Management by Results, and it concluded that improving the system itself was not sufficient; other steering and management tools were needed as well (Ministry of Finance 1995a, 3). The working group suggested that the Government should adopt a strategy portfolio that would advance the implementation of the Government Programme and in general, give rigour to political steering (*ibid.*, 45). This suggestion was followed as the Lipponen Government assembled the Government Strategy Portfolio during the autumn of 1995.

In the same memo, one can see dissatisfaction with politicians' unwillingness to ignore details in favour of focusing on strategic decisions. It was stated that the Government has not been willing to commit itself on the definitions of policy in the process of Frame Budgeting (Ministry of Finance 1995a, 19). Another example of discontent with politicians was expressed when it was noted that delegating decision-making from the Government plenary session to the ministries had been made difficult by the fact that the political level had not been willing to delegate small issues away from the plenary session (*ibid.*, 15).

In addition to the memorandum written by the working group set up by the Ministry of Finance, an expert group appointed by the Prime Minister's Office published its report in February 1995 (*Luottamus, läheisyys, linjakuuus* 1995). This group considered public administration in Finland to be dominated by civil servants and political steering of the administration inadequate, suggesting that the Government should develop its role of policy definition (*ibid.*, 28). The group considered the strengthening of the position of the Prime Minister as a possible solution (*ibid.*, 44).

In 1996, the Government set up a commission (*Valtioyhteisötoimikunta*) whose task was to prepare the definitions of administrative policy and to suggest what kinds of reforms were needed. This 'Governance project' was organised in eight working groups. One of the working groups aimed at reforming the work of Government. As for improving the political steering capacity of the Government, the working group had two main suggestions. First, the Government should meet more often and create a new kind of negotiation session. Second, a system of state secretaries to the ministers should be adopted.<sup>47</sup> In addition, it was stated that ministers need to be 'freed' from routine decision-making. However, the group identified a problem with the differentiation between strategic and operative decisions, stating that making such distinctions is not as easy as is often implied (Ministry of Finance 1997b, 32).

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<sup>47</sup> This suggestion has been voiced every once in a while (see Tiihonen 2006, chapter 5), more recently in Bouckaert *et al.* (2000, 10) and in the Government Act Committee (2001–2002), which prepared the legislative changes needed to implement the system.

Another working group under the 'Governance project' had the task of improving MBR (Ministry of Finance 1997a). As already pointed out, one of the sub-tasks was to link political steering more closely to MBR. It was stated in the group's assignment that MBR currently operated inside the administration, while individual ministers, the Government and the Parliament needed to be more involved in the process. As a solution to the strengthening of political steering, the group focused on improving the procedures of the Government Strategy Portfolio and Frame Budgeting.

The commission 'Governance project' set up in 1996 resulted in a Government resolution entitled 'High-Quality Services, Good Governance and Responsible Civic Society' in 1998. The resolution included several goals and action plans. The first three directly concerned the strengthening of political steering. The resolution stated that the preconditions of political steering by ministers had decreased as a result of the changing of the state sector, the increasing leadership demands and EU membership (Gov. resolution 1998, 10). In addition, it was noted that earlier administrative reforms had been thought to have increased bureaucracy in the administration as opposed to the current goal of increasing democracy (*ibid.*, 7–8). Based on the working group's suggestion (Ministry of Finance 1997b), the resolution recommended that prerequisites of political leadership be improved. Yet while the working group had suggested a system of state secretaries, the resolution stated that the actual solution, whether it be state secretaries or junior ministers, should be left for the following Government to decide (Gov. resolution 1998, 10). In line with the working group suggestions (*ibid.*), the resolution also stated that the Government's collective leadership should be enhanced through the adoption of a negotiation session by the Cabinet (*ibid.*). In addition, it recommended that monitoring the Government Programme and updating the Government Strategy Portfolio should be improved in order to enhance the Government's political leadership (*ibid.*, 11). The resolution also included suggestions for improving the political steering of the Frame Budgeting and Management by Results (*ibid.*, 19–20).

Lipponen's second Government, appointed in 1999, set up a Central Government Reform project in 2000. Already in 1999, the Government had commissioned a report from Geert Bouckaert, Derry Ormond and Guy Peters. Their task was to evaluate the Finnish central government and its reform challenges. The final report of these three experts was published in June 2000 (Bouckaert *et al.* 2000). The content of the Central Government Reform project was informed by the Government resolution of 1998 and by this expert analysis. There were six goals defined for the project, the first of which was to strengthen the Government's decision-making and the ministries' position as leaders of their sectors (Ministry of Finance 2000a).

The sub-projects of the Central Government Reform produced several reports and suggestions. The most fundamental suggestion presented in the reform work was to adopt Programme Management; the suggestion appeared in Sirpa Kekkonen's (2001) report called 'Strengthening the Government's Collective Po-

litical Leadership – Programme Management as a Means.<sup>48</sup> Thus, the title of the report states that the goal is to strengthen political leadership. In a brochure about the Programme Management approach (*Ohjelmajohtaminen uudistaa hallituksen työskentelyn* 2003, 1), one of the central principles is given as the improvement of political steering. Accordingly, the brochure stated (*ibid.*, 2) that the aim is to get the administration to act in line with the Government Programme and its points of emphasis. Programme Management includes the idea that the Government sets priorities in the form of Policy Programmes in the Government Programme negotiations and then allocates resources and manages these priorities throughout the electoral period, analysing on a yearly basis the need to re-allocate resources and measures.

Analysis of reform documents between 1995 and 2003 from the point of view of political steering shows that both the Government in its resolution in 1998 and the working group reports, that is, officials engaged in reforming the administration, considered three tools relevant to political steering: the Government Programme; the Government Strategy Portfolio outlining the Programme and monitoring its implementation; and budgeting, especially Frame Budgeting. Of these three, the Government Programme is neither a novelty nor has it been reformed.<sup>49</sup> Indeed, reform would not even be possible because every Government has a right to formulate the Programme according to its own will. The steering capacity of the Programme was improved through the introduction of the Government Strategy Portfolio in Lipponen Government at the end of 1995. Frame Budgeting had already been introduced in 1991. It included the idea that the Government can prioritise and coordinate policy areas (Tiihonen 1999, 19).

Reform documents and working-group memos included a lot of talk, and not all talk produces action. Ironically, the most notable achievement is the appointment at long last of political state secretaries in 2005, the idea having been in the air since the 1920s (Tiihonen 2006, 72). Time after time, reform documents have pointed out the problems with Frame Budgeting and the Government Strategy Portfolio, providing suggestions for developing them as strategic political steering tools. The actual practices related to these tools in the Lipponen Cabinets will be examined in the next chapter, showing that reform talk has been quite unsuccessful in promoting political steering. Neither has the introduction of Programme Management – notable as such – been able to strengthen political steering through Frame Budgeting and Government Strategy Document as shown in Chapter 6.

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<sup>48</sup> The translation is mine: in Finnish the report title reads '*Hallituksen yhteisen poliittisen johtamisen vahvistaminen – keinona ohjelmajohtaminen*'.

<sup>49</sup> Except that the Programme Management approach added to the Government Programme four Policy Programmes in 2003.

## 3.6 Conclusions

Based on documentary analysis and supported by interviews with officials, this chapter has shown that Management by Results introduced the idea of strategic steering in Finland. The role of political steering in MBR was, however, quite vague and broad, with only abstract linkage to the actual process of MBR. The role of the Parliament and the Government was dealt with together: they set the service and productivity targets in law and in the state budget. In addition, the Government could use the Government Programme to make strategic steering decisions. The actual practice reflects the abstract nature of these role definitions, with ministers having only a distant relationship to MBR. While the gap between MBR and political steering has been acknowledged, the importance of political steering has risen to the administrative reform agenda. The improvement of Frame Budgeting procedure and the strengthening of the Government Programme's steering power by introducing and then further developing the Government Strategy Portfolio have been the most often mentioned ways of improving political steering. These are also means of strategic political steering. The empirical analysis has to follow two strands – the world inside the ministry and the broader political world of the Cabinet. Thus, strategic political steering can be understood as sectoral steering made by individual ministers and as whole-of-government steering made by the collective Cabinet.

## 4 Strategic steering tools of the Lipponen Cabinets

This chapter presents the strategic tools of the Lipponen Cabinets and analyses their strategic character based on documents and interviews. The document analysis in Chapter 3 identified three tools relevant in strategic political steering, namely, the Government Programme, the Government Strategy Portfolio and Frame Budgeting. Each of these tools is introduced here before proceeding to analysis of their related documents: the Programme document itself, the Portfolio document and the Government decision on frames. The results of the interview data are presented separately. As regards the Government Strategy Portfolio and Frame Budgeting, the interviews provide information about the processes linked to these tools as well as about the role of the Cabinet in these processes. The formation of the Government Programme would be a research question of its own, and thus, interviews provide only views and attitudes of interviewees towards the Programme. They do not tell about the process related to the formation of the Government Programme, at least not explicitly. After presenting each strategic steering tool, the chapter ends with an analysis of the connections among these tools.

In this chapter, the role of the Cabinet in processes related to the Government Strategy Portfolio and Frame Budgeting is described, but the roles that individual ministers play in their ministries are addressed in the next chapter. Consequently, the third research question, ‘How has this role been performed in practice between 1995 and 2003?’<sup>50</sup>, is addressed in both Chapters 4 and 5. It was decided to include the analysis of the Cabinet level in the present chapter, because it is an integral part of the analysis of the strategic tools as such. The conclusion concerning the role of the Cabinet is presented in the conclusions of this chapter.

### 4.1 An overall picture

The Government Programme is the Government’s most important strategic document. It is the ministers’ duty to implement those policy lines that have been agreed upon in the Programme, as for the sector in question. Certainly, the Programme does not provide guidance for all activities of every ministry. Thus, the task of the ministers is also to ensure that all decisions reflect the basic values and ideological views of the Government Programme (cf. Ministry of Finance 1997b, 21). The ministers take the Government Programme as a starting point, but in addition to the steering power of the Programme itself, there are other tools of

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<sup>50</sup> The second research question was ‘What has been the Finnish interpretation of the role of ministers in administrative reforms since 1987?’

strategic political steering that help to implement the Government Programme and to specify the goals set forth in the Programme. These tools are the Strategy Portfolio of the Government and budgeting, notably Frame Budgeting.

There was a certain schedule for the Government to work with its strategic steering tools. The following description of the annual process in Lipponen's two Cabinets between 1995 and 2003 includes the main phases of budgeting and the monitoring of the Government Programme by means of the Strategy Portfolio of the Government:

#### First year

- March: parliamentary elections
- March/April: formation of the Government and the Government Programme negotiations
- May: the first budget frame decision of the new Government
- June: the Government Strategy Portfolio is confirmed (the first portfolio in 1995 was compiled in the autumn and released in December)
- August: Government budget session
- September: the Government Strategy Portfolio is updated
- September: the budget proposal is presented to the Parliament

#### Second, third and fourth years

- February: the Government Strategy Portfolio is updated
- March (in 1996 and 1997: February): the Government's budget frame decision
- August: Government budget session
- September: the Government Strategy Portfolio is updated
- September: the budget proposal is presented to the Parliament

#### Fifth year, before parliamentary elections held in March

- January-February: the final update of the Government Strategy Portfolio
- February/March: the Government makes its last budget frame decision which is soon overruled by the new decision made by the newly-elected Government

## **4.2 The Government Programme**

The Government Programme can be addressed both as a separate strategic steering tool and as a basis for strategic steering with help of other tools. This section mainly focuses on the former side of the Programme, while the latter is addressed in Chapter 4.5.

### 4.2.1 Background

The Government Programme is an important document in a coalition Government, which has become the only conceivable Cabinet option in Finland. Since 1991, it has been the Government's obligation to present its Programme to the Parliament in the form of a 'Government statement', which means that a vote of confidence is taken.<sup>51</sup> This is the first opportunity for the opposition to declare a vote of no-confidence, which, however, is not possible when the Cabinets are majority coalitions. In any case, the importance of the vote of confidence is that parliamentary groups of the governing parties commit to the goals of the Programme. In addition to the importance gained through consideration in the Parliament, the Government Programmes have, in recent years, become more accurate, which makes it more likely that they actually steer ministries and agencies. According to Jaakko Nousiainen (1998, 250), the Government Programme used to be a concise, declaration-like document that did not give a clear picture of the Government's plans, either to the opposition or to the public, until the majority Governments beginning in the 1960s, when the Programme's status and significance began to increase. The accuracy of the Programmes increased further during the 1980s and 1990s and the Programmes became considerably more extensive especially since Cabinet duration has normalised since 1983 from an average of only about a year to the full electoral period.<sup>52</sup> While in 1983 the Government Programme of Sorsa's fourth Cabinet contained only 1,788 words, the following Programmes of Holkeri's and Aho's Cabinets in 1987 and 1991 respectively had over 2,500 words, while the Programme of Lipponen's first Cabinet in 1995 had 4,541 words (Nousiainen 2000, 280). In 1999, the Programme of Lipponen's second Cabinet reached 6,685 words, and in 2003, Jäätteenmäki's Cabinet and the following Vanhanen Cabinet almost doubled the previous record with nearly 12,000 words in each Government Programme.

### 4.2.2 The Government Programme as a strategic document

The two Government Programmes of the research period stand out from their predecessors in that these Programmes did not begin with foreign policy. Instead, there was a kind of introduction where the Government's vision was presented.<sup>53</sup>

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<sup>51</sup> Before this partial reform of the Constitution Act in 1991, it was not even obligatory to write out the Programme, regardless of which the Programme has been written out almost without exceptions (Määttä *et al.* 2001, 9).

<sup>52</sup> An exception to this trend was the resignation of Prime Minister Anneli Jäätteenmäki in 2003 only after two months in office, but even then the rest of the Cabinet survived and there were not any significant modifications to the Government Programme.

<sup>53</sup> An 'introduction' was also included in the beginning of the Holkeri Cabinet's programme, but it concerned the starting points of the Government, not the Government's goals.

The Government Programme of Lipponen's first Cabinet begins with the title 'Government of employment and joint responsibility'.<sup>54</sup> The first sentence is an expression of strategic thinking: 'In a world of rapid changes, the future must be given a direction and a substance.' The following section presents nine policy lines that were the Government's goals for its four-year period (Programme of the Government of Prime Minister Paavo Lipponen, 13<sup>th</sup> of April 1995): 'During the next four years, the Government will work along development lines that reinforce each other, so that by the end of the century:

- the employment situation will have improved considerably, on the basis of strong economic growth and a stable value of money
- the ratio of the public debt to the national product will begin to decrease
- the welfare that encourages the citizens to make an effort of their own and to enterprise will be secured also by alleviating the taxation of earned income
- the equality between the sexes will be better
- the services increasing social equality will be comprehensive and efficiently organised
- the significance of education and research will have increased and the prognoses for the future will be more efficient
- all areas of the country, urban and rural, will develop equally
- the principles of a tenable development will be stronger in the various sectors of society, particularly in the administration of the natural resources and the environment
- as a member of the European Union and when developing the Union, Finland will make a strong contribution, acting in the best interest of the nation and safeguarding the well-being of its citizens.'

The Government Programme of Lipponen's second Cabinet begins in a similar way to its predecessor: the first section is entitled 'Equitable and motivating - a socially sound and undivided [Finland]', which can be interpreted as the Government's vision of Finland after its four-year period in office. To fulfil its vision, the Government specified ten goals (Programme of Prime Minister Paavo Lipponen's second Government, April 15, 1999): 'During the next four years, the Government will strive to ensure that, in accordance with its mutually reinforcing guidelines of development, the following measures will be implemented in the beginning years of the new millennium:

- as a result of economic growth and stable monetary conditions, employment will be significantly improved and the proportion of the employed among the working age population will increase
- central government finances will show a structural surplus

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<sup>54</sup> English translations were acquired through the Government's information service.

- with enhanced price stability, the opportunity for monetary policy to support stability of the real economy, giving rise to improved employment, will ensue
- broadly-based employment growth and a reduction in unemployment will best prevent poverty and exclusion from society
- the welfare and security of the people will be ensured and the citizens' own efforts to improve their well-being will be encouraged
- development based on knowledge and expertise will benefit all regions of the country equally and provide prerequisites to guarantee housing conditions and other services
- the growing resources in education, research and product development will promote strong economic growth and will inspire both the young and the older members of society to continuously update their skills and expertise
- equality between the sexes both in working and family life will be advanced and tolerance among people will be engendered
- the principles of sustainable development in regard to the environment will be consistently taken into account throughout the various levels of society
- a sense of cooperation and trust will pervade the whole of society particularly in relation to social partners and other interest groups.'

The goals of the two Government Programmes presented above can be characterised as strategic: they helped in attaining the Government's vision. These goals were presented together, at the beginning of the Programme, but the Government Programme is full of other goals, included in other parts of the Programme that consist of sections related to some specific issue, many directly linked to some ministry's field. The structure of the Government Programme does not straightforwardly follow the division into ministries, but usually it is easy to pinpoint which part of the text belongs to which ministry, and thus, the strategic goals can also be understood as the strategic goals for a certain ministry and its subordinate administration. An example of a ministry-bound strategic goal would be that of the Ministry of Agriculture and Forestry: 'The goal of the Government's agricultural policy is to improve the permanent competitiveness of the Finnish agriculture on the common market.'<sup>55</sup> An example of a strategic goal common to two ministries is the goal for the Ministry for Foreign Affairs and the Ministry of Defence: 'The goal of the Government's foreign policy is to safeguard the future of the Finnish people in a world of peace, co-operation and deepening integration.'<sup>56</sup>

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<sup>55</sup> The citation is from the Government Programme of Lipponen's first Cabinet while in the Government Programme of Lipponen's second Cabinet, this sentence was somewhat modified: 'The aim of the Government's agricultural policy is to improve the sustainable competitiveness of Finnish agriculture in the single market.'

<sup>56</sup> The citation is from the Government Programme of Lipponen's first Cabinet while in the Government Programme of Lipponen's second Cabinet, this sentence was modified: 'The aim of the Government's foreign and security policy is to strengthen Finland's security and international influence as well as to promote the country's interests in a world of deepening cooperation.'

In addition to goals that can be characterised as strategic, there are other goals of a general kind: the Government is about to advance, strengthen or improve something, leaving the intention abstract. The Programme also includes quite concrete intentions to improve and reform something that has a clear connection to implementation. Even more concrete are those intentions that specify an action and the timetable for it, for example, 'The full state pension will be increased by FIM 50 a month from the beginning of 2002, in addition to the normal index adjustment.' Thus, one can see that the accuracy of the Government's intentions varies greatly.

In the Government Programme, there was no systematic way of presenting the strategic goal of a policy field, which indicates that whether or not strategic goals were presented was dependent on the Ministry in question since it is the ministries themselves who provide part of the material for the Government Programme.<sup>57</sup> The strategic goals set for the whole Government were presented at the beginning of the Programme.

### 4.2.3 Interviewees' perspectives

The interview question about the Government Programme differed between civil servants and ministers. Only the civil servants were asked about the role of the Government Programme in the strategy work and it is their views that are addressed here. The interview question was modified as follows: 'What kind of role does the Government Programme have from the point of view of strategy work?' This question can be understood both from the point of view of each ministry's strategy work and from a Government-wide point of view. Both viewpoints were addressed in the interviews, the first directly and the other indirectly as the interviewees assessed the quality of the Government Programme as a starting point for strategy work.

As regards the relation between the Government Programme and ministries' strategy work, it was not surprising that almost all interviewees emphasised the normative assumption that the Government Programme is the starting point of strategy work in the ministry. As an exception, one interviewee accentuated the strategy work in the ministry as a starting point and although the Government Programme was taken into account, the Ministry wanted to have an effect on the Programme beforehand so that the Programme would correspond to the ministry's views. Another interviewee stated that because the timeframe in the ministry's strategy work was longer than the Government's period in office, there might be other points of emphasis than those in the Programme, although not contradictory ones.

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<sup>57</sup> The material provided by the ministries was used especially in the working groups that prepared the Government Programme but also beforehand in the preparation working groups of the political parties and in the parliamentary groups and parliamentary committees (Määttä *et al.* 2001, 18).

Thus, the Government Programme is the starting point for ministries' strategy work, but there were rather negative accounts of how good a starting point the Programme is.

'...you never know what the Government Programme will be like; we always have to have a backup plan, because it is assumed that strategy work is done and it may be that the Government Programme will not be a good basis for strategy work.' (an official)

*...sitähän ei koskaan tiedä, minkälainen se hallitusohjelma on, että tässä on aina oltava varasuunnitelma kun puhutaan, että sitä strategiatyötä pitää olla niin hallitusohjelma saattaa olla sellainenkin, että se ei anna hyvää pohjaa strategiatyölle.*

'These recent Government Programmes [of the Lipponen Cabinets] have not been any strategic programmes but implementation programmes, that is, they are too detailed.' (an official)

*Ei nää hallitusohjelmat mitä on tehty nää ei mitään strategisia ohjelmia vaan viimeiset ainakin, vaan tämmösiä toimeenpano-ohjelmia, eli ne ovat liian yksityiskohtaisia.*

Some civil servants were, however, quite positive:

'In my opinion, the significance of the Government Programme from the point of view of strategy work is central... It is applications and project portfolios [Government Strategy Portfolio] and others, the work made after the Government Programme is published, that formulate the strategies, but yes, the Programme gives a foundation, although there are details also.' (an official)

*Kyllä hallitusohjelman merkitys strategiatyön näkökulmasta on keskeinen mun mielestä... Ne on sitten sovellutukset ja hankesalkut ja muut, se hallitusohjelman jälkeinen työ, joka muotoilee ne strategiat, mutta kyllä se pohjan antaa, vaikka siellä pikku asioita seassa onkin.*

'[N]ow that the Government Programmes have been developed, they are tolerably good foundations for strategy work.' (an official)

*[N]yt hallitusohjelmat on muuttuneet, että ne on kohtalaisen hyviä pohjia strategiatyölle.*

One civil servant was cautious in criticising the Government Programme. He/she used the formula of 'should' when asked what kind of position the Government Programme has from the point of view of strategy work.

'I think it [the Government Programme] should have a central view as it is made together, in the Government negotiations, so that the most central policy definitions, or strategic policy definitions and the priorities of action during the Government's term in office should be very clearly visible. The significance of the Government Programmes has been constantly increasing and the significance overall is very great.' (an official)

*No minusta sillä pitäis olla keskeinen näkökulma kun se yhdessä sitten hallitusta muodostettaessa tehdään niin kyllähän siinä pitäis sen hallituskauden keskeisimmät linjaukset eli strategiset linjaukset ja hallituskauden toiminnan painopisteet sitten näkyä erittäin selvästi että kyllähän hallitusohjelmien merkitys on jatkuvasti ollut kasvamassa ja merkitys kaiken kaikkiaan on erinomaisen suuri.*

When the above interviewee was asked: 'But have the Government Programmes, however, been strategic?', the answer indicated that some improvement would be useful:

'Well, how can I put it? Priority areas have certainly been set, but I could imagine that the significance and depth of the Government Programme could perhaps be even greater than at present.' (an official)

*Niin, miten sen nyt sitten sanois. Kyllähän siellä painopistealueita on tietenkin asetettu, mutta voisin kuvitella, että hallitusohjelman merkitys ja syvyys voisi olla ehkä vielä nykyistä suurempikin.*

Many of the interviewees were quite critical of the political process that results in the Government Programme. From the point of view of strategy work, the problem is that the Programme cannot consist of strategic issues only, there are also all kinds of 'small issues'. One interviewee pointed out that it is specifically the small parties who want to write down in the Programme these small issues that are important to their constituencies, and once the possibility of writing down small issues is opened, it is used by all parties. The Government Programme also includes a lot of political compromises: the governing parties have been able to agree on some concrete issue. One interviewee called these 'ad hoc political compromises' 'project agreements' and saw them as being opposite the goals that would steer policy and action.

On the other hand, the Programme is full of goals, indicating the Government's intention to advance, strengthen or improve something. The problem with such goals is that they are too general, they do not indicate what is meant in practice and it is easy to by-pass these 'good intentions'. The Programme also contains issues that the ministries have already begun to implement, thus providing legitimisation for ministry activities. Sometimes, however, the Programme can be a surprise to a ministry. An example came up during the interviews. The situation

was such that the ministry believed no further reforms were needed in connection with a particular issue, since there had been earlier reforms that were adequate from the ministry's point of view. It was, however, 'a pure political prioritisation' that the Government wanted to continue with further reform.

## 4.3 The Government Strategy Portfolio

The Government Strategy Portfolio dates back to 1995 and was used in both Lipponen Cabinets to specify the implementation of the Government Programme. The Prime Minister's Office was responsible for compiling and updating the Portfolio.

### 4.3.1 The origin and aims of the Government Strategy Portfolio

The Government Strategy Portfolio, or 'the project portfolio' as it is also called,<sup>58</sup> was adopted in Lipponen's first Cabinet after it was recommended by a working group dealing with the improvement of Management by Results (Ministry of Finance 1995a). The idea was to strengthen the steering capacity of the Government Programme by defining the strategies, or, more concretely, by specifying the projects needed to implement the goals presented in the Government Programme.<sup>59</sup> According to the working group, it was not enough to have a plan of action that is formulated every four years; what the Government needed was to divide the Programme into concrete projects of strategic level (*ibid.*, 19). In addition to the general idea of the Portfolio, the working group had drafted a procedure where the Cabinet would establish Policy Programmes that would gain special attention. The Policy Programmes were not realised in 1996, but the Programme Management approach adopted in 2003 was similar, albeit a much more developed version of the earlier idea.

The first Government Strategy Portfolio was compiled in the autumn of 1995, after Lipponen's first Cabinet had started in April. The first Portfolio was released on 21 December 1995 (*Pääministeri Paavo Lipponen hallituksen keskeiset hankkeet vuosina 1996–1999*). In an attached memorandum (Prime Minister's Office 20.12.1995), the introduction of the Portfolio was justified by the need to develop the Government's working methods and by the fact that the Government Programme was more binding than before. It was also acknowledged that the

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<sup>58</sup> To avoid confusion, the term 'Government Strategy Portfolio' or simply Portfolio is used throughout regardless of the term used in the cited Finnish texts where the Portfolio is referred to as 'the project portfolio' (*hankesalkku*) or as 'the strategy portfolio' (*strategiasalkku*).

<sup>59</sup> The monitoring of the Government Programme had already begun in Sorsa's first Cabinet (1972–1975) (Tiihonen 1980, 78).

introduction of the Portfolio was a result of a suggestion made by the working group mentioned above. As for the aims of the Portfolio the memorandum stated that ‘The aim of the Government Strategy Portfolio is to offer the Prime Minister a new tool to steer the preparatory work in the Government and to offer the members of the Government more extensive information about essential projects than before. Secondly, the aim is to give information about issues in hand in different branches of administration to the people working in different ministries.’ As for the issues selected for the Portfolio, it was noted that these were primarily cross-sectoral issues that required extensive and long-term preparation, but there were also some issues that belonged only to one ministry’s administrative branch. However, it was remarked that all the projects in the Portfolio required cooperation among the ministries. In this memorandum to the first Portfolio, the hope was expressed that the Portfolio would be established as a working method and would support the preparation of budget frames and supplement other Government-wide procedures.

### 4.3.2 Description of the process

In Lipponen’s first Cabinet, the Portfolio was compiled during the autumn, while in Lipponen’s second Cabinet, the Portfolio was released in June. Each Portfolio adhered to the structure of the Government Programme. The responsibility for compiling the Portfolio was with the Prime Minister’s office, whose state secretary sent letter addressed to each individual minister. In the letter, he asked for a proposal of projects that should be selected for the Government Strategy Portfolio. The information required for projects included the project goals, sub-projects, the timetables, the responsible ministry and other participating ministries. Based on the suggestions provided by the ministries, the Prime Minister’s Office compiled a draft of the Portfolio, which was then considered in the meeting of the permanent secretaries, that is, the highest civil servants in the thirteen ministries.<sup>60</sup> After consideration by civil servants, the draft was discussed in the ‘evening school’ of the Cabinet (Ministry of Finance 2000b, 37).

The Portfolio was updated twice a year, adhering to the budget cycle. The update was released in February, before the Government budget frame negotiation, and in August or September, either before the Government budget session or just after it. The letter from the Prime Minister’s Office was sent to the permanent secretaries of the ministries. In addition to the state secretary in the Prime Minister’s Office, there was one civil servant responsible for the updates. The update draft was considered in the meeting of the permanent secretaries and presented afterwards in the evening school or other meeting of the Cabinet (Ministry of Finance

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<sup>60</sup> The Prime Minister’s office is considered a ministry. The permanent secretary in the Prime Minister’s office is not ‘permanent’; the title is ‘state secretary’ and this position changes with the Prime Minister.

2000b, 38). Those projects judged to be already realised were eliminated from the Portfolio. As for those projects still going on, the intentions of the Government were specified and measures were reported.

### 4.3.3 The Government Strategy Portfolio as a strategic document

#### The first Portfolio

In the memorandum attached to the first Portfolio (Prime Minister's Office 20.12.1995), it was stated that the Portfolio was a collection of the Government's focal projects for the period 1996–1999. The term 'project list' (*hankeluettelo*) was used in addition to 'project portfolio' and 'strategy portfolio', the latter only in connection with the working group's suggestion to establish the Portfolio. The term 'project list' used in the memo accurately described the nature of the first Portfolio. It consisted of 42 projects, although it was only eight pages long.<sup>61</sup>

The starting point of the Portfolio was the Government Programme, and the structure as well as the emphasis on the 'list' originated from that Programme. However, the Portfolio did not exactly follow the order in the Government Programme in that the first part of the Portfolio was not 'foreign and security policy' followed by 'the European Union' and 'economy and employment'. Rather 'employment' came first, while 'foreign and security policy', 'the European Union' and 'economy' came thereafter. The order reflected the Government's priorities: increase in employment was its primary goal and in fact, the Government Programme pledged to halve the number of unemployed.

As for the structure of the Portfolio, it is significant that there were no references to the first section of the Government Programme cited above in Chapter 4.2.2. Its strategic goals were not explicitly translated into projects.

Normally, information about a single project in the Portfolio consisted of a text indicating what kind of preparation had been undertaken or would be undertaken and a brief statement of the goal of the project. Forthcoming reports and changes in legislation were also mentioned. The Portfolio told very little about the project content, the emphasis being on schedule, forthcoming reports and working groups appointed. Two extreme examples describe the nature of the Portfolio of Lipponen's first Cabinet. The scarcest information was given on a 'project' called 'development co-operation': "One man committee", the task is to prepare guidelines for the future of development co-operation, deadline 31.1.1996.' The most extensive information was given about the first project in the Portfolio, the above-mentioned 'employment', which was concretised through 'the Government's decision in principle on 19.10.1995 on measures required by Finland's

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<sup>61</sup> In addition, there was a two-page appendix about forthcoming Government statements, reports and programmes and a one-page appendix of a calendar of important events that required extensive preparation.

employment programme' (*Valtioneuvoston periaatepäätös 19.10.1995 Suomen työllisyysohjelman edellyttämistä toimenpiteistä*). Under this title were six measures, consisting of one sentence each and four additional points describing the connection to some other agreement and giving information about the setting up of a working group, mentioning those ministries expected to collaborate on this question and finally, referring to other points in the Portfolio.

## The second Portfolio

The second Government Strategy Portfolio, that of Lipponen's second Cabinet, was more ambitious. The term 'project list' was no longer used. Instead, it was emphasised that 'the Portfolio includes those Government-wide strategic subject matters that are the most salient as regards the implementation of the Government Programme.'

The Government Strategy Portfolio of Lipponen's second Cabinet was 28 pages long<sup>62</sup> – over three times more extensive than its predecessor. The number of projects was not much greater than before; there were 41 project titles and 60 projects altogether when sub-projects were counted. There was more text about the goals of the projects than in the first Portfolio, and in places, the structure was more refined; in other words one part set forth goals followed by a text listing measures. The first Portfolio had been concerned mainly with measures. This structure was not, however, followed throughout the Portfolio. Some 'projects', such as 'crisis management', included only very short texts about forthcoming reports and schedules. Also the measures often concerned what documents were about to be written and what preparations were about to be initiated. Thus, the Portfolio was used mainly as a preparation schedule and its updates reported on the state of preparation.

Similar to the first Portfolio, the second Portfolio ignored the first section of the Government Programme and followed only the structure of the Programme's sectoral parts.

### 4.3.4 Interviewees' perspectives

The majority of the top officials interviewed considered the Government Strategy Portfolio to be of only minor significance or little benefit. The ministers interviewed were not as negative as many of the officials. This may partly have been due to the wording of the question, which made some ministers defensive: 'The Government Strategy Portfolio has been criticised a lot and there are plans to give up on it. What was its importance from the point of view of a minister?'

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<sup>62</sup> In addition, there were appendices similar to the first Portfolio.

Ministers appreciated the informational value of the Portfolio. First, the Portfolio made it easier to follow the issues within each ministry. Second, ministers were informed about projects being prepared in other ministries. Third, because the Portfolio addressed collaboration, it was possible to avoid overlap and to plan cooperation.

As to the benefits of the Portfolio, ministers mentioned that the Portfolio provided a schedule for implementation. In this way the Portfolio helped to speed up the decision-making. Also some civil servants pointed out that the Portfolio helped to structure the implementation of the Government Programme. One minister believed that the Portfolio generated a certain assertiveness (*jämäkkyys*) in the ministries:

‘It entailed assertiveness in what things are done so that it [action in the ministries] was not just messing around unconnected to the Government Programme or just running the bureaucracy.’ (a minister)

*Se toi sellaisen jämäkkyuden siihen, mitä asioita tehdään, että se [toiminta ministeriöissä] ei ollut ihan vaan hallitusohjelmasta irrallista puuhastelua tai byrokratian pyörittämistä.*

By contrast, all of the officials interviewed had something negative to say about the Government Strategy Portfolio. The most widely-held view was that the portfolio had become ritualistic: there was no strategic discussion about its contents and its projects were not strategy-driven. The Portfolio included issues that would have been taken care of in any case; thus in a sense it served as a noticeboard that was given attention only when the required updates were to be made. The portfolio was also perceived as a bureaucratic means of monitoring in retrospect rather than as an active tool for action.

About the ritualistic nature of the Portfolio, ministers held negative views similar to those of civil servants, for example, ‘It is run too much for formality’s sake’ (*Liikaa muodon vuoksi pyörivä instrumentti*) and ‘Checking the matter of form’ (*Muotoseikan tarkistus*). Many ministers admitted that Cabinet discussions about Portfolio updates felt like dull obligation, probably because the Portfolio consisted of too many projects of unequal political interest.

Two civil servants had extremely negative views of the Portfolio: ‘The current Portfolio has deteriorated to the point that, to be frank, it is a totally useless piece of paper’ (*Nykyinen hankesalkkuhan on rämettynyt suoraan sanottuna aivan joutavanpäiväiseksi paperiksi*), said one. ‘The Government Strategy Portfolio is not even worth the paper it is printed on.’ (*Hankesalkku ei ole edes sen paperin arvoinen, jolle se on painettu*), stated the other. One of the two officials claimed not to know whether the Portfolio had any relevance for anyone; the other even considered the Portfolio to be damaging to the administration. The latter interviewee explained this criticism by the fact that the Portfolio does not adhere to anything at the Government level nor in the ministry: ‘Information is collected

simply because the decision has been made to collect information at intervals of half a year.' (*Keräillään tietoja, kun on päätetty kerätä tietoja puolen vuoden välein.*) The civil servant in question emphasised that the Portfolio should be driven by genuinely strategic programmes, that have a connection to budget frames. Instead the current Portfolio is a separate bureaucratic procedure.

In the interviews, it became clear that the Portfolio was perceived as sector-based, that is, the Portfolio consists of suggestions made by individual sectors and there is no genuine discussion of the Portfolio in the Cabinet. None of the interviewed civil servants had an exact picture of the role of the Cabinet, but those who assessed its role were of the opinion that there is no political discussion about priorities, despite the fact that the Portfolio is considered in Cabinet's evening school session:

'I don't think there was ever any political discussion about priorities.' (an official)

*En mä usko, että siinä mitään poliittista painopistekeskustelua käytiin koskaan.*

'I suppose the Cabinet has not had any role...when the Government Programme was confirmed, then those projects were collected that could be connected to points in the Programme.' (an official)

*Ei hallituksella ole kai ollut mitään roolia...sitten kun hallitusohjelma on vahvistettu niin sitten on kerätty sinne niitä hankkeita, jotka voidaan yhdistää ohjelmakohtiin.*

'I would say that I have got the idea that it is more like a pushover.' (an official)

*Kyllä mulla on semmoinen mielikuva tässä tullut, että se enemmän menee läpihuutona.*

One civil servant interviewed was of the opinion that the Portfolio is a technical instrument of the Prime Minister's Office and has not even been able to attract the Government's attention to the projects it sets forth.

The ministers themselves who participated in considering the Portfolio in the Cabinet had the view that the consideration mostly consisted of every minister focusing on his or her own projects. When the updates have been made, other ministers have, in principle, had the chance to comment and the Cabinet as a whole has had the opportunity to intervene if a project has not proceeded the way it was intended. In practice, however, consideration of the Portfolio has not been a collective effort by the Cabinet:

‘Every minister watches over his own sector.’ (a minister)

*Jokainen ministeri vahtii omaa sektoriaan.*

‘Checking up has meant only that every minister watches how the Portfolio has been realised from his own viewpoint.’ (a minister)

*Tarkistaminen on jäänyt siihen, että kukin katsoo, miten se on omalta kanalta toteutunut.*

‘It gave us the chance to discuss those matters as a whole Cabinet, at least in theory, but in practice, there was fairly little discussion.’ (a minister)

*Se antoi mahdollisuuden keskustella ainakin teoriassa niistä koko hallitukseksi, mutta aika vähän sitä keskustelua käytännössä käytiin.*

## 4.4 Frame Budgeting

Frame Budgeting is the main tool for the horizontal co-ordination of policies across different sectors. In the process of defining budget frames the Government has an opportunity both to prioritise and to co-ordinate policy areas (Tiihonen 1999, 19). Tiihonen (ibid.) considers the adaptation of Frame Budgeting ‘perhaps the most important single reform from the point of view of the Government’s political capacity to steer the entire State sector and the State finances and allocate the resources’. In the system of Frame Budgeting, once a year normally in February or March, the Government makes a decision on the public expenditure frames, that is, spending limits, for the following year as well as for the next three years. Ministries continue their budget preparation according to these frames.

### 4.4.1 The origin and aims of Frame Budgeting

In Finland, Frame Budgeting began with the reform of operating and financial planning. Frame Budgeting was applied for the first time in 1991, when it was used for operating and financial plans for 1992–1995 and for the budget for 1992 (Ministry of Finance 1997c, 1–2). The introduction of Frame Budgeting was inspired by budget cooperation in the OECD. Budgetary deficits in almost all OECD countries in the late 1970s made Governments realise that public expenditures needed to be limited (Ylinen 1988, 27). To achieve those limits, many countries adopted Frame Budgeting because budget frames are a means of top-down budgeting whose purpose is to prevent bottom-up demands from swelling the budget unpredictably (Harrinvirta 1998, 20–21).

In Finland, Frame Budgeting had two kinds of aims, one relating to the stabilisation of the national economy and state finances and the other relating to allocation of appropriations. During the economic crisis in the beginning of the 1990s, the allocation function of Frame Budgeting was displaced. After the crisis was over, Frame Budgeting was focussed only on the level of appropriations (Harrivirta and Puoskari 2001, 446–452). Originally the idea was to set up budget frames for policy fields that were socio-politically and economically important (see Gov. Dec. 1990). However, budget frames for important issues were defined for the first time only in 1991, when the Holkeri Cabinet gave its frame decision just before elections (Ministry of Finance 1997c, 2). However, far too many policy fields were identified (dozens, in fact), and thus, the Cabinet was not able to have a strategic discussion about priorities. Priorities were defined mainly in discussions between the Ministry of Finance and sectoral ministries and ministers (Kekkonen 2001, 22). When the Aho Cabinet was appointed in 1991, the poor state of economic affairs became apparent. Consequently, Frame Budgeting was found to be an excellent means of cutting spending. This led to a practice still in use, whereby frames are given to sectors, that is, ministries, instead of policy fields.

#### **4.4.2 Description of the process**

Budgeting as a whole includes two phases, the first of which is the setting of budgetary frames, while the second is a consideration of the budget item by item within these limits. Preparation of budget frames begins with the preparation of operating and financial plans in the autumn. Each ministry compiles the operating and financial plan of its sector and based on this plan, makes its suggestion for budget frames. This suggestion has two parts, the ‘basic plan’ and the financial development plan. The former is compiled item by item, based on the previous budget frame decision, the previous budget proposal and the changes made to it in the Parliament, the Government Programme and in other Government’s decisions. The latter, the financial development plan, is presented separately and in practice, it means that the ministry lists the issues where it hopes for more appropriations than its spending limit would allow.

The ministries’ suggestions for budget frames are delivered to the Ministry of Finance by the end of the year. The year begins in the Ministry of Finance with consideration of the budget frame drafts and in February, it is ready to deliver its position to the ministries. Although the Government’s frame decision includes only sectoral budget frames, the Ministry of Finance considers the drafts item by item. The ministries have an opportunity to alter the position of the Ministry of Finance in bilateral negotiations. Before negotiations, ministries provide a list of suggested changes to the Ministry of Finance in which they include the most important issues where they have different positions from the Ministry of Finance.

Consequently, in February, the Minister of Finance negotiates bilaterally with sectoral ministers, both backed up by their civil servants. After these bilateral ne-

gotiations, each lasting from half an hour to an hour, depending on the size of the ministry, the Ministry of Finance compiles a draft for the Government's frame decision. The draft is delivered to ministers well in advance before the Government discussion on budget frames. The Government discussion is held in March. In Lipponen's Cabinets, the Government discussion on budget frames normally lasted only for a morning and the issues discussed were those that could not be agreed on in bilateral negotiations in cases when a ministry was not willing to accept the position of the Ministry of Finance. After this discussion, the frame decision is formally considered in the Cabinet Finance Committee and in a Government plenary session.

#### **4.4.3 The Government's decision on frames as a strategic document**

Lipponen's two Cabinets between 1995 and 2003 made a total of nine frame decisions, one per year. The first was exceptional as the decision was made for only one year. This may reflect the fact that the Government had been nominated in April, only a few days before the decision was made. However, in August the Government made an agreement for additional cuts for the years 1997–1999. In the Government's second year, the frame decision was made in February and the time frame was three years, covering the electoral period. Thereafter, each subsequent decision was made to cover the following four years. Since 1998, the decision has been made in March instead of February except for years when parliamentary elections have affected the budgetary cycle, namely, in 1999, when the frame decision of Lipponen's second Cabinet was made in May, and in 2003, when the last decision of Lipponen's second Cabinet was dated 27.2.2003.

The first frame decision made in 1995 consisted only of numbers and the only verbal comments attached were the supplementary minutes of the Government Programme. The minutes called for cuts of 10 billion Finn marks from the 1996 budget. This frame decision reflected the mood of economic crisis of the time. Consequently, the accompanying text mentioned the most important additional cuts and the general economic guidelines for restraining appropriations. The second frame decision made in 1996 continued with emphasis on cuts, mentioning four additional measures. The decision of 1997 did not emphasise cuts as much, but its text mentioned that the earlier decisions to cut appropriations had been taken into account. As for the contents of the decision, the text indicated only that the Government could not make the final decision on some unfinished plans. In addition, there was a technical note about the costs of EU chairmanship. The decision of 1998 was even less elaborate, having only the obligatory formal phrases.

Thus, Lipponen's first Cabinet used budget frames only as spending limits and cutting devices. There were no signs to indicate that the Government had had strategic discussion about priorities. Negative prioritisations, i.e. cuts, were made

according to the minutes of the Government Programme. It is generally known that this list was made by officials in the Ministry of Finance.

The decision of 1999, made by Lipponen's second Government, continued its predecessor's minimal verbal expression, using formulaic phrases and technical notes. In addition, it mentioned that frames included 'certain new measures that cut state spending' but these new measures were not specified.

In 2000, a new era began regarding the contents of the decisions. The frame decision of 2000 had more text, with two headings, 'economic development and fiscal policy' and 'about starting points of policy and principles of preparation'<sup>63</sup>. The texts mostly argued for the strict fiscal policy line adopted in the Ministry of Finance. Notably, allocation decisions were commented upon for the first time, there being four issues addressed. The first note concerned checking the distribution of costs between the state and the municipalities and was aimed at strengthening the finances of the municipalities. It was mentioned that part of the cost effects were realised in the supplementary budget. One policy line was identified: allocating resources more clearly than before to those municipalities with the most difficult economic situations. The second issue concerned the financing of research and development, said to follow the lines of an earlier decision to increase research appropriations. Related to this, a measure to improve the financing of institutions of higher education was specified. Third issue mentioned did not concern increase in resources; instead, it was stated that appropriations of labour policy would be decreased in line with decreasing of unemployment. Fourth and finally, an increase in road appropriations was mentioned. These appropriations did not concern the frame decision in hand, but anticipated the forthcoming supplementary budget. It seems that the first two points were added to emphasise that the Government was paying attention to the economic situation of municipalities as well as to research and development, while the latter two points were technical in nature.

The structure of the frame decision made in 2001 was identical to the previous decision. The most important policy line mentioned in the second part of the 2001 decision was the announcement that the Government would continue the policy of preventing poverty and exclusion from society. This policy line was expounded upon with nine new measures. Other comments on the substance of policy related to the increase in state subsidies to municipalities, improvement of the financing of institutions of higher education and the appropriations needed to strengthen climate policy. In addition, it was stated that the appropriations for measures of innovation policy for 2002 had been taken into account.

The frame decision of 2002 followed the structure of its two predecessors. Several increases in appropriations were also mentioned but they seemed to be technical in nature or caused by earlier Government decisions. Thus, the Govern-

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<sup>63</sup> Titles in Finnish: '*Talousskehitys ja finanssipolitiikka*' and '*Toimintapoliittisista lähtökohdista ja laadintaperiaatteista*'.

ment was not declaring its priorities in allocation decisions, but the measures mentioned seemed more likely to have been annotations made by the Ministry of Finance.

Lipponen's second Cabinet also made a decision on frames in February 2003, but it was excluded from the analysis since the Cabinet was preparing for elections and had no real incentive to make policy lines for the coming years. The decision, however, was more extensive than before, probably reflecting the changed thinking in the Ministry of Finance, which prepares the economic preconditions part of the decision. Probably the Ministry of Finance also calculated that it could use the same information in the Government negotiations and in the budget frame decision of the next Cabinet after the elections.

Along with the Government's frame decisions, it is also useful to read the reports given to the Parliament, which in Lipponen Cabinets were written specifically for this purpose. The report was given to the Parliament for the first time in 1998, and the format used was announcement given by Prime Minister Lipponen himself. According to the electronic archives of the Parliament and the electronic archives of the Government, there was no announcement in the year of elections, 1999. In 2000, there was an experiment to present the frame decision in the Parliament in the format of Government statement to the Parliament, which leads to a vote of confidence. This remained an experiment because the Government statement was considered too heavy a procedure (see Puoskari 2003, 183). In practice, a vote of confidence would have meant that the Parliament was committed to the frames, thus making it difficult to make budget increases in the autumn when the Parliament is accustomed to make detailed increases. On the other hand, allowing the Parliament to have a real effect on the decision on frames would have changed the emphasis of budgetary decision-making from the autumn to the spring, and Pentti Puoskari (*ibid.*) believes that neither the Government nor the Parliament was willing to let such a change take place. Consequently, in 2001 and 2002, the decision on frames was given in the format of Prime Minister's announcement as in 1998, but this time, by the Minister of Finance. The difference between Prime Minister's announcement and the Government statement to the Parliament is that there is no vote in the former case nor any decision made by the Parliament, only discussion.

The announcements and statements given to the Parliament give us more information about the policy lines of the Cabinet than do the frame decisions proper. Thus, while the frame decision of 1998 was minimal, the Prime Minister's announcement was much more informative. For example, the Prime Minister informed the Parliament that the frame decision included shifts in the focus of taxation, these decisions having been made in the general incomes policy settlement (TUPO). The Government also informed the Parliament that the budget frames had the built-in presupposition that cuts in state expenses should not burden the municipalities. The Government also commented on regional development and the resources allocated to the labour policy. Still, the announcement focused on economic preconditions rather than on policy lines.

When the frame decision of 2000 is compared with the corresponding Government's statement to the Parliament, it is clear that the statement described the economic preconditions more thoroughly and also considered future challenges to the economy in general, and ageing of the population specifically. However, the focus was on arguing for a strict fiscal policy, and the four allocation decisions commented upon in the frame decision were limited to comments on the finances of the municipalities. No additional policy lines were presented. It appears that the Government and the Ministry of Finance saw the role of budget frames as a means of controlling the state finances, not as an opportunity to prioritise policy areas.

As for the year 2001, analysis of the Prime Minister's announcement to the Parliament, given by the Minister of Finance shows that the aim of the Minister of Finance in his speech to the Parliament was to restrain the willingness of Parliamentarians to increase spending. This was accomplished with a more rhetorical approach than in the more neutral frame decision proper. On the Government priorities the Minister of Finance was now explicit: the priorities of the electoral period had been and would continue to be education and the prevention of poverty and exclusion from society. As regards the former priority area, the decision on frames mentioned only the improvement of finances for higher education, while two other measures were mentioned by the Minister of Finance: the initiation of preschool education and an increase in state subsidies allocated to education. About the latter priority area, the Minister of Finance assured the Parliament that the best way to fight poverty and exclusion from society was to improve the employment situation. This idea dates back to the Government Programme, which states 'broadly-based employment growth and a reduction in unemployment will best prevent poverty and exclusion from society'. Also the emphasis on education was mentioned on the Government Programme's first page as follows: 'the growing resources in education, research and product development will promote strong economic growth and will inspire both the young and the older members of society to continuously update their skills and expertise'.

These two explicitly stated focus areas, education and the fight against poverty and exclusion from society, indicated a strategic approach. They were included in the Government Programme and were explicitly stated in the Prime Minister's announcement given by the Minister of Finance. Several projects in the Government Strategy Portfolio also related to these two issues. Consequently, it seems that this was a rare example of how the Government's strategic goals were reflected in the Government's decisions about appropriations. This is not to say that there would not be other examples of strategic approach hidden in the allocations of appropriations, but rather that these were the only examples that the Government wanted to declare, and thus, the ones that can be interpreted as explicit strategic choices.

In the above analysis the frame decision of 2002 is characterised as technical. In the Prime Minister's announcement, again given by the Minister of Finance, the rhetoric of fiscal restraint was strong as usual, and in fact, the long-term eco-

conomic development seemed alarming and had become weaker than in the previous year's estimates. Thus, the Minister of Finance concentrated on convincing the Parliamentarians that the budgetary deficit was threatening. No identification of policy lines made during the budget round in question was made, only some general principles of the electoral period were mentioned.

#### 4.4.4 Interviewees' perspectives

Both officials and ministers were asked about the role of the Cabinet in preparing the budget frames.<sup>64</sup> From the point of view of strategy work, both ministers and officials were quite critical of Frame Budgeting, an opinion expressed throughout the interviews, not only in answer to these questions. The overall criticism voiced both by officials and by ministers focused on four main issues. First, the Frame Budgeting is the first phase of the 'budget game', and thus, new elements can be introduced in the later phases of the game, making the process frustrating. Second, the Ministry of Finance is too eager to interfere in the appropriations of ministries. This criticism came especially from officials. Third, the frames are not determined by political prioritisation or any real consideration of needs, but rather too much by historical grounds. Fourth, the connection between budget frames and the Government's operational definitions of policy, such as the Government Strategy Portfolio, is weak. The officials were presented with a specific research question about this connection. The issue is addressed separately in Chapter 4.5 as it concerns the whole process beginning with the Government Programme.

#### Frame Budgeting as a frustrating phase of the budget process

Both officials and ministers had feelings of frustration. Officials especially used game metaphors. The nature of the game, or play, is that both the Ministry of Finance and the sectoral ministries 'pretend' during the phase of making the budget frames; the real fight is in the autumn when the actual budget decision is made: 'Controversial issues are taken to the Government budget session.' (an official) (*Kiistakysymykset viedään budjettiriiheen.*); 'Real fight is in the Government budget session.' (an official) (*Todellinen väantö tehdään budjettiriihessä.*); 'Three times a year there is the same roulette... the problem is mostly that a lot of useless papers are made and this kind of play is run.' (an official) (*Se on kolme kertaa vuodessa sitä samaa rulettia... ongelma on lähinnä se, että tehdään turhia papereita pirusti ja pidetään tämmöstä näytelmää pystyssä.*)

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<sup>64</sup> The question to officials was: 'Has the Cabinet or a smaller group of ministers prepared budget frames before the actual Government decision on budget frames? In what forums? Do you consider the collective preparation adequate?'; The question to ministers: 'In what ways did the Cabinet prepare its decision on budget frames? Was there discussion about setting priorities and defining policy lines?'

Ministers had similar feelings of frustration. One minister felt that the bilateral negotiation with the Ministry of Finance was a waste of time and the so-called negotiation that takes place was useless because it was very rare that anything could be agreed upon. Another minister was frustrated with the manner in which the Government discussed issues, ministry by ministry, arguing over details. This minister even described the discussion as humiliating and non-intellectual. Still another minister had the view that the Government discussion on frames was a frustrating effort and the whole frame preparation was about producing useless papers, since it is only the Government budget session that is taken seriously: 'The budget frame could be given without any Government negotiation. I think that the discussion has not been very challenging or strategic, because instructions were such that nothing new could be put into the papers. That is, in the end, having us do useless work.' (a minister). (*Ilman mitään hallituksen neuvottelua budjettikehys voitaisiin antaa. Mielestäni keskustelut eivät ole olleet kovinkaan haasteellisia ja strategisia, koska ohjeet olivat sentyyppiset, että mitään uutta ei saanut papereihin laittaa. Sellainen on lopulta turhan työn teettämistä.*) This view was shared by another minister who considered the real fight as taking place only in the Government budget session; this minister considered the whole Frame Budgeting a 'useless, idle round' because the budget preparation takes a whole year and the same negotiations and the same fights are repeated many times during that year.

## Interference by the Ministry of Finance

Officials in the ministries felt that the Ministry of Finance interferes in details, contrary to the idea that ministries are given a spending limit and are free to allocate resources as long as they do not overrun their limit. Some of the officials judged as unfair the authority of the Ministry of Finance to interfere in the contents of the frame.

'I say that the Ministry of Finance still acts through budget items against the original idea of the Frame Budgeting...we have gotten minor freedom when we have fought for getting the overall frame ready, and we have gotten the right to use our own sense.' (an official)

*Kyllähän VM vastoin kehysmenettelyn alkuperäistä ideaa edelleen toimii momenttien kautta...vähäisiä vapausasteita on saatu, kun kokonaisuus on tapeltu valmiiksi, ollaan saatu oikeus käyttää omaakin järkeä.*

'Now it is such that the discussion about frames means at worst that we have Government budget session two times; there is no discussion and not even the Ministry of Finance discusses the frame as such with us but goes through our money item by item just as before, even if it should work the way that we are given the frame and it would be our own business to take care of what is done inside there.' (an official)

*Nythän se on niin, että kehyseskustelut on pahimmillaan sitä, että siinä pidetään kahteen kertaan budjettiriihi, ei siinä keskustella eikä valtiovarainministeriökään keskustele meidänkään osalta varsinaisesti kehyksestä vaan se käy momentti momentilta meidän rahat läpi ihan niin kuin ennenkin, vaikka pitäisi toimia niin, että todella annetaan meille kehys ja se on meidän asia sitten katsoa, mitä siellä sisällä tehdään.*

‘Now that we have frame thinking, Frame Budgeting, the intention would have been to allow freedom of action, but we think that the Ministry of Finance is still occupied with details. It is this ‘treasurer-thinking.’ (an official)

*Kun on menty kehysajatteluun, kehysbudjetointiin, tarkoitushan olisi ollut jättää liikkumavaraa, mutta kyllä se meidän mielestä se VM:n puuha edelleenkin aika paljon menee pikku asioihin. Se on tätä kamreerimeininkiä.*

‘If we look from the point of view of the sectoral ministry, the idea back then was that we could engage in priority thinking, strategic thinking. But these mechanisms do not motivate us in any way to do that, because the Ministry of Finance interferes in infinitely small details, that is, on the wrong side of the decimal point.’ (an official)

*Jos katsotaan sektoriministeriön näkökulmasta se ajatushan silloin oli, että vois niiden raamien puitteissa harjoittaa painopisteaajattelua, strategista ajattelua. Mutta nämä mekanismit ei kannusta siihen millään tavalla, koska valtiovarainministeriö puuttuu äärettömän pieniin asioihin, siis desimaalipilkun väärälle puolelle.*

On the other hand, some officials in the sectoral ministries pointed out that it is difficult to build up the frame without details, which to them makes it understandable that the Ministry of Finance interferes also in details. Moreover, as budgetary decisions may have far-reaching consequences to future appropriations, it is the responsibility of the Ministry of Finance to check these consequences.

From the point of view of the ministers, the interference of the Ministry of Finance was most evident in cases when the ministry wanted to re-allocate its resources within its budget frame. Ministers complained that the Ministry of Finance interprets a reallocation decision as a confession of having too much money:

‘If we took something away from one place and wanted to transfer it to another place, the Ministry of Finance was immediately ready to take it back for itself, thinking, ‘Aha! You don’t need this, but we are not giving anymore there.’ This kind of idea, I suppose with many ministers, with everybody.’ (a minister)

*Jos me jostakin otimme pois ja olisi toinen siirretty tuonne niin VM oli heti valmiina siinä ottamaan sen itselleen, että aha te ette tarvitse tätä, mutta ei me tuonne lisää anneta. Tällöinen mielikuva, varmaan monilla ministereillä, kaikilla.*

This doubt or experience was also mentioned in the interviews with officials. An example was written in minister Osmo Soininvaara's memoirs (2002, 166): 'Experienced officials warned that if you suggested a transfer of appropriation from item A to item B, you revealed that your budget was roomy. You lose appropriation for item A, but you do not get the appropriation for item B.' Soininvaara stated that he found this claim to be true when he saw a colleague lose an appropriation this way during a budget session.

### Lack of political prioritisation

Both ministers and officials had the view that there is a lack of political discussion and prioritisation in defining the budget frames. Discussion about setting Government priorities and operational policy lines is minimal. This was acknowledged by the very ministers who form the collegial Government and by officials who follow the political process closely. In practice, the Cabinet discusses only those issues that are not agreed upon in the negotiations between the ministry and the Ministry of Finance; that discussion can hardly be called genuine as the comments below show. Lack of discussion leads to ministries getting their budget frames mostly on historical grounds with only marginal modifications being made.

Ministers themselves emphasised that the problem in the Government discussion on frames as well as in the Government budget session is that there is no general discussion. Instead, other ministers become an audience who follows the argument between the Minister of Finance and a particular minister arguing for appropriations. If the Minister of Finance and the sectoral minister are not able to resolve their dispute, the Prime Minister negotiates a solution.

'Proper frame discussions have, in my view, been mostly matches between the Ministry of Finance and a minister and not so much constructive priority discussions.' (a minister)

*Varsinaiset kehyskeskustelut ovat musta olleet enemmän semmoisia valtiovarainministeriö vastaan ministeri matseja eikä niinkään rakentavia painopistekeskusteluja.*

'In practice, it was quite a lot about the Minister of Finance giving dictation.' (a minister)

*Käytännössä se oli kyllä aika paljon valtiovarainministerin sanelua.*

‘...Government discussion of frames did not fulfil the requirements of discussion. It was more like a dialogue between the Ministry of Finance and the minister in question.’ (a minister)

*...kehyseskustelu ei kyllä täyttänyt keskustelun vaatimuksia. Se oli enemmänkin sitten vuoropuhelua VM:n ja asianomaisen ministerin välillä.*

‘Then other ministers watch as one minister fights with the Minister of Finance and then the Prime Minister puts an end to the fight at some point without other ministers interfering, exactly because of the principle of non-interference.’ (a minister)

*Sitten muut ministerit katsoo vierestä, kun yks ministeri tappelee valtiovarainministerin kanssa ja sitten pääministeri pistää riidan poikki jostain kohtaa ilman, että muut siihen puuttuu just sen puuttumattomuuden lain perusteella.*

Other ministers have not usually interfered in the consideration of individual issues, on the one hand, because of the principle of non-interference and on the other hand, because their own resources might be compromised. Ministers described the problem of resources with two kinds of scenarios. The milder scenario is that if a minister supports the demands of another minister, the overall sum of available money, decreases, and thus, the supporting minister has less chance to get his/her own demands accepted. The stronger scenario is that if a minister supports the demands of another, the Minister of Finance will ask, how much that minister is willing to give of his/her own appropriations for the benefit of the other minister. Certainly, ministers are not willing to give up their own appropriations, and thus it is rare that ministers interfere in issues involving other sectors. One official summarised the above-described situation as follows: ‘If you start pussyfooting around, these other wolves maul you right away.’ (*Jos alkaa mamistella niin nää muut sudethan raatelee sen kyllä heti.*).

Officials presented many possible reasons why the Government has not had profound political discussions about budget frames. The most obvious reason was thought to be that reallocation decisions are very difficult because ministers are not willing to give up appropriations for their own turf to benefit other ministers. The political culture is such that ministers are not obliged to give up their appropriations to benefit others nor is it worthwhile to give up an appropriation freely. Concessions to benefit other sectors take place mainly in connection with package agreements. However, the normal situation is that ‘when some minister sits on some money pool, he/she never wants to give it up to some other sector, no matter how outstanding the goal.’ (an official) (*Kun joku ministeri on joidenkin rahapottien päällä niin ei se halua koskaan niistä rahoistaan luopua minkään muun tavoitteen hyväksi, joka on toisen hallinnonalan, vaikka se olis kuinka erinomainen.*). Thus, many officials believed that it was possible to have a value discussion

relating to reallocation decisions only once in four years, that is, in the Government Programme negotiations.

The principle of non-interference and the fear of losing one's own resources are effective barriers to discussion. Avoiding discussion with the help of resource-deterrents is primarily the goal of the Ministry of Finance, which uses avoidance as a means of restraining resource demands. This has been the conscious tactic of the Ministry of Finance and is confirmed in the memoirs of Minister of Finance (1996–2003) Sauli Niinistö (2005, 109): 'As long as one minister asks and others think about their own issues, you do nicely.' (*Niin kauan kuin yksi ministeri vaatii ja muut pohtivat omiaan, pärjää hyvin.*). Niinistö gives, as an example of this, an episode when other ministers started to be sympathetic to a minister who wanted the cuts to development co-operation to be cancelled. Niinistö describes the thinking of the Minister of Finance: 'You always have to take into account the possibility that reciprocity would start to work in general.' (*Aina oli otettava huomioon myös se mahdollisuus, että vastavuoroisuus alkaisi yleisesti toimia.*) Niinistö notes that he had to change direction; he suggested that the cuts to the development co-operation could be cancelled if those ministers who were sympathetic would find compensation from their own appropriations. This threat helped the Minister of Finance to resolve other controversial issues.

It is not only financial reasons that promote the principle of non-interference. According to one minister interviewed, Prime Minister Lipponen stated in the beginning of his first Cabinet that every minister was to take care of his own field:

'Prime Minister Lipponen then gave clear advice that everyone should take care of his own field and not really interfere in others' fields. At the same time, it was a message that the Prime Minister expects, requires, but also relies on the fact that everyone takes care of his own field.' (a minister)

*Pääministeri Lipponen silloin antoi selkeän ohjeen, että jokainen hoitaa oman tonttinsa ja ei pahemmin puutu toisen tontille. Samalle se viestitti, että pääministeri odottaa, edellyttää, mutta myös luottaa että jokainen hoitaa oman tonttinsa.*

From the Prime Minister's point of view, it is primarily a question of the smoothness of the Cabinet's work. Open discussion is likely to delay decision-making and may cause disagreement that would affect the Cabinet's working culture. In Finland, limited Cabinet discussion and the principle of non-interference have been personified in Prime Minister Paavo Lipponen. This is due to Lipponen's personal dislike of lengthy discussions, which he called 'seminars' (e.g. Siimes 2002, 100): 'Prime Minister Lipponen did not really like lengthy discussions; he did not want discussions to become a seminar' (a minister). (*Pääministeri Lipponen ei oikein pitänyt pitkistä keskusteluista, vaan että se aina meni seminaariksi ja sitä hän ei halunnut.*) The Cabinets of Matti Vanhanen that followed have continued the 'Lipponen method'. In Vanhanen's first Cabinet, there was agreement that 'the

fields of other ministers are not to be fiddled with' (*toisten reviirejä ei sorkkita*) (*Helsingin Sanomat*, 5.9.2003). In Vanhanen's second Cabinet, veteran minister Paavo Väyrynen was worried about the poverty of discussion (*Helsingin Sanomat*, 11.6.2007). However, it should be noted that the principle of non-interference is a general feature of Cabinet working culture in Western Europe.<sup>65</sup> Anthony King, for example, (1994, 207) has written: 'As in other countries, there is a tacit agreement in Britain that individual departmental ministers will not gratuitously interfere in each other's affairs. To try to deprive other people of their autonomy is to risk being deprived of one's own.' It seems, however, that the principle of non-interference is, in many countries, tacitly understood among ministers who know that it is not worth risking their autonomy. In Finland, Prime Ministers Lipponen and Vanhanen have explicitly advised their ministers not to interfere with issues outside their sectors.

Some officials considered that discussion of priorities would require workable discussion forums and development of preparation information, while others took the position that ministers could gather to discuss any time they wanted without need for reforming discussion forums. Essentially, both groups of officials believed that the problem was one of an attitude climate and a political culture that do not favour such discussions. In addition to the political will, interviewees emphasised ministers' lack of time as a hindrance to discussion.

Certain characteristics of the Frame Budgeting itself also explain the lack of discussion. One official noted that there is a vicious cycle in that the importance of the frame is not as great as it could be, while the Cabinet does not have much interest in discussing priorities and focus areas and related reallocations. It is also true that as long as the frames are only sectoral, they do not provide suitable information for policy line discussions about expense priorities (cf. Ministry of Finance 2003b, 33).

In addition to the lack of discussion at the Government level, officials also pointed to the role of the Ministry of Finance in keeping up excessive continuity in the budget frames of the ministries:

'Everybody always gets essentially the same frames that they had before.'  
(an official)

*Jokainen saa aina suurin piirtein ne kehukset, mitkä on aikaisemminkin ollut.*

'In the Ministry of Finance, they practically copy the papers of previous rounds; they change the dates...It is this wasteful sending of papers back and forth.' (an official)

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<sup>65</sup> Andeweg and Bakema 1994, 59 (Netherlands); Eriksen 1997, 221 (Norway); King 1994, 207 (Britain); Larsson 1997, 241 (Sweden); Müller 1994, 18 (Austria); Müller-Rommel 1994, 158–159 (Germany); Thiébaud 1994, 143 (France); Timmermans 1994, 119 (Belgium).

*VM:ssä suunnilleen kopioidaan edellisten kierrosten paperit, vaihdetaan päivämäärät...Se on tätä näivettyä paperien eestaas lähettelyä.*

‘The fault in this Frame Budgeting is that there is very strong continuity when it doesn’t go deeper, and it is certainly not the Ministry of Finance who would push for bigger structural changes, especially if they require legislation. On the contrary, there is too rigid a structure in this Frame Budgeting.’ (an official)

*Vika tässä kehystelyssä on se, että siinä on hyvin vahva jatkuvuus, kun ei mennä syvemmälle niin eihän siellä valtiovarainministeriö suurempia rakennemuutoksia aja, etenkin jos ne vaatii lainsäädäntöä, vaan tässä on mun mielestä liian jäykkä rakenne tässä kehystelyssä.*

Discussion is also restrained by the Ministry of Finance through the rhetoric of economy: ‘In the beginning, depressing numbers about the economy are given and [ministers are] frightened. If anyone had thought about suggesting something, after hearing these numbers he/she would probably not.’ (a minister) (*Alussa annetaan talouden synkät luvut ja pelotellaan. Jos joku on ajatellutkin esittä jotain, niin näiden lukujen jälkeen ei luultavasti esitä.*) Opportunity for discussion is also restrained by the ‘treasurer’ attitude (*kamreerimainen asenne*) that the Ministry of Finance is alleged to have, both by interviewed officials and ministers. One minister described this attitude as staring at the total sum of the budget and invalidating all arguments about how increases in appropriations now would save money later on.

The role of the Ministry of Finance in defining the budget frames is significant. Before the Government discussion on frames takes place, the officials in the Ministry of Finance have discussions with officials in the sectoral ministries and the Minister of Finance discusses the budget with the sectoral minister. The Government discussion on frames is only a short exercise, taking but a few hours. Since the participants described the exercise as lacking in much discussion but filled with the struggle between the Minister of Finance and sectoral minister, the interviewer asked the ministers whether the Cabinet prepared this meeting in advance. Such was not the case. The Cabinet as a whole did not prepare budget frames. Exceptions were made when the Minister of Finance wanted to apprise the Cabinet of the need for fiscal restraint, but the goal of this kind of meeting was purely to keep spending suggestions minimal, not to discuss Government priorities. Also the role of the Cabinet Committee on Economic Policy was to discuss general guidelines for economic policy, but not political priorities. Occasionally, ministerial working groups prepared some sectoral issues, the most notable example being the so-called ‘poverty package’ in 2001. According to the ministers interviewed, nor did the leaders of the Cabinet groups of different parties had overall discussion of priorities; they dealt only with some controversial details. Consequently, the policy lines of the Government were made throughout

the year, one by one, as the Cabinet made decisions that resulted in increased appropriations. This manner of proceeding was criticised by some of the officials interviewed. Moreover, a working group set up by the Ministry of Finance (2003b) concluded that decisions made outside the frame and budget procedure, e.g. in the Cabinet Committee on Economic Policy or within Government reports and other decisions, have caused the frame procedure to disintegrate. The same issue came up in one minister's interview. The minister defended the way politicians work and pointed out that politics is also about reacting to those needs that come 'in time', e.g. queues of long duration in order to receive health care. Thus, it is not always possible to wait for the 'proper' decision-making moment.

## **4.5 The connection between the Government Programme, the Government Strategy Portfolio and Frame Budgeting**

This section addresses the connection between the strategic steering tools of the two Lipponen Cabinets. First, the connection is analysed based on the documents themselves, that is, the Government Programme, the Government Strategy Portfolio and the Government decision on frames. Second, the link between Frame Budgeting and the Portfolio is considered based on the views of officials interviewed. Finally, there is a short conclusion.

### **4.5.1 Connections found in the documents themselves**

There are three connections that need to be analysed: first, the connection between the Government Programme and the Government Strategy Portfolio; second, the connection between the Government Programme and Frame Budgeting; and third, the connection between the Government Strategy Portfolio and Frame Budgeting. The latter two can be addressed together as the scarcity of Government decisions on frames (analysed in Chapter 4.4.3) makes it easy to see that there is no substantial connection between Frame Budgeting and the policy lines of the Government.

The Government Strategy Portfolio is based on the sectoral sections of the Government Programme. Consequently, there is a genuine connection between the Government Programme and the Portfolio. From the point of view of strategic political steering, it is not relevant to analyse this connection in general, but rather to focus attention on strategic issues. The analysis of the Government Programme showed that Lipponen's two Governments identified strategic issues of the electoral period in the first chapter of their Programmes. This exercise seemed, however, rather separate as the Government Strategy Portfolio was based on the sectoral sections of the Programme that did not have explicit connections to the

guidelines stated in the beginning of the Programme. The problem was that the guidelines were common to the whole Government, while the other parts of the Programme consisted mainly of texts addressed to one or two ministries. These cross-sectoral and sectoral parts did not have any dialogue. Moreover, because the Government Strategy Portfolio was based on the sectoral parts, it did not communicate with the guidelines presented in the beginning of the Government Programme. However, one can try to find the connection on one's own even if the Government has not made it explicit.

The guidelines presented in the beginning of the Government Programmes of both Lipponen Cabinets were quite vague, so that linking those guidelines with the specific projects in the Government Strategy Portfolio was open to interpretation. A few examples describe the difficulties in interpretation. In the Government Strategy Portfolio of Lipponen's second Cabinet, there was a project directed towards preventing poverty and exclusion from society. The guideline in the Government Programme, however, stated that 'broadly-based employment growth and a reduction in unemployment will best prevent poverty and exclusion from society'. Therefore, the project linked to this guideline should be related to employment growth and reduction in unemployment. Indeed, there was a project called 'improving employment rate' (*työllisyysasteen nostaminen*), which could be interpreted as being connected with the above-mentioned guideline. This project seemed also be connected to the first guideline of the Programme, namely, 'as a result of economic growth and stable monetary conditions, employment will be significantly improved and the proportion of the employed among the working age population will increase'. However, this guideline actually did not aim at improving employment but at economic growth and stable monetary conditions. There was no project that directly addressed the latter goals, but some of the projects may have indirectly had the desired effect. Consequently, one can see that it may be difficult to see the connection between the guidelines and the projects when these connections are not explicitly stated. It is uncertain whether these connections were thought through when the Government Programme was written. Genuine strategic political steering would presume that the explicitly-stated strategic goals of the electoral period would be taken care of in the Government Strategy Portfolio, systematically, and with explicit reference, so as to enable monitoring of the goals. This proves to be utopian in a coalition Government where different ideologies collide; different parties have different views of causal relationships, and thus it is impossible to make explicit references when there is no common understanding of how issues are related. Even if there were no problem of competing ideologies, there might not be sufficient knowledge to make explicit statements about which goal is addressed by which action. The limits of rational planning collide with the ideals.

The connection between the Government Programme and the Government decision on frames, as well as the connection between the Government Strategy Portfolio and the frames, is almost non-existent as the Government decision on frames includes mostly numbers with texts written by the Ministry of Finance

and very little reference to sectoral issues. One distinctive example of a connection otherwise lacking was presented in Chapter 4.4.3 when the analysis was extended to cover the reports to the Parliament. In 2001, the Minister of Finance gave the Prime Minister's announcement to the Parliament, and in his speech, he mentioned two explicit focus areas in which the Government had invested and would continue to invest. These two mentioned areas, education and the prevention of poverty and exclusion from society, were also included in the guidelines set forth in the beginning of the Government Programme of Lipponen's second Cabinet.

## 4.5.2 Interviewees' perspectives

Officials were asked about the coordination between budget frames and the Government Strategy Portfolio in their respective ministries.<sup>66</sup> The answers described varying levels of coordination in different ministries, but also indicated a lack of coordination at the level of Government. Civil servants in the ministries felt that the Government only considered the economic view, as promoted by the Ministry of Finance, and that the appropriations between ministries were allocated the way they had always been allocated. In addition to this generalisation, however, interviewees pointed out that there have been policy areas in which the Government has invested.

When the Portfolio was compiled, ministries suggested as many projects as possible for inclusion in an effort to convince the Ministry of Finance and the Cabinet to finance their projects or simply to emphasise the importance of their projects. However, in the Ministry of Finance, the Government Strategy Portfolio did not have any relevance. In the Government Programme of Lipponen's second Government, there was the sentence that 'The measures laid down in the Government's Programme, which are not subject to supplementary financing, will be implemented within the expenditure frames'. This meant that unless extra financing was indicated in the Government Programme, the ministry was expected to implement the Programme within its normal budget frames.

The Cabinet did not systematically examine the implementation of the Government Strategy Portfolio, either when budget frames were defined or when the budget proper was treated. The Government Strategy Portfolio and budgetary issues were handled separately, unless the ministry responsible for some project in the Portfolio wanted to discuss its financing. This is partly due to the fact that the Government Strategy Portfolio is a collection of projects 'owned' by the ministries, and the Government as a whole has not felt ownership of the projects, and partly due to fiscal restraint. The clause written into the Government Programme did not help in avoiding criticism on the part of officials in the sectoral ministries:

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<sup>66</sup> The question asked was 'In what way has the connection between budget frames and the Government Strategy Portfolio been coordinated in your ministry?'

‘Let’s say that I think that the Cabinet should examine what is happening to the Government Strategy Portfolio a little bit more in the context of the Government discussion on frames. Now, as far as I can judge, that is not happening; all ministers suggest their own special projects and the Government Strategy Portfolio does not have any value when the frames are discussed. I mean, the Portfolio as such is present only in the way that ministries take some projects in the Portfolio to be discussed.’ (an official)

*Sanotaan niin, että hallituksen mun mielestä olis hyvä hiukan enemmän kehyseskustelun yhteydessä tarkastella sitäkin, mitä strategiasalkulle tapahtuu, nythän mun ymmärtääkseni siinä ei kyllä, kaikki ministerit esittää omia erityishankkeitaan ja hankesalkulla ei ole mitään painoa, kun kehysesistä puhutaan. Siis hankesalkkuna et se tulee siinä muodossa, et ministeriöt joi-takin hankkeitaan tuo, jotka siellä on.*

‘And then there are these budget frames that are not really connected to the Government Strategy Portfolio, nor to the Government Programme but live a life of their own.’ (an official)

*...sit on nää budjettikehykset, jotka ei kytkeydykään enää oikein tähän strategiasalkkuun eikä hallitusohjelmaan vaan elää omaa elämäänsä.*

One can see bitterness towards the Ministry of Finance in comments that point to the lack of connection at the level of Government:

‘If we take out the sector [from the interview question], how has it happened in general, so the answer is, no way. It “goes to the devil”, so to speak. Frames have nothing to do with reality. They are done by the Ministry of Finance, which ignores the way the administrative sector would implement the goals of the Government Programme or the Government Strategy Portfolio: they have no connection.’ (an official)

*Jos jätetään se hallinnonala siitä pois, miten se yleensä on tapahtunut niin ei millään lailla. Se on ihan sanoisinko päin helevettä. Kehyksillä ei ole mitään tekemistä todellisuuden kanssa. Nehän tekee valtiovarainministeriö vähät välittämättä siitä, miten hallinnonala olisi toteuttamassa hallitusohjelman tai hankesalkun tavoitteita, ei niillä ole mitään yhteyttä.*

This problem was summarised by one civil servant: ‘Wishes are there in the Government Strategy Portfolio; reality is in those frames.’ (*Toiveet on siellä hankesalkussa, todellisuus on niissä kehysesissä.*) Many of the interviewees stated that in the ministry, the connection between projects in the Portfolio and Frame Budgeting is taken care of, but once again, this connection is incomplete as there is no money available. One interviewee claimed that ‘if there is no money coming, so

then, of course, the projects in the Portfolio do not proceed.’ (*Jos ei sitä rahaa tule niin sitten tietysti ei hankesalkussakaan asiat etene.*) However, the interpretation that a ministry ignores the projects it has suggested for the Portfolio unless extra money is forthcoming appears to be false. Rather, the ministry tries to allocate resources within the limit the Ministry of Finance has allowed. As another official remarked:

‘But, of course, when we get the frame...we try to prioritise so that those issues that have been agreed upon in the Government Programme or in the Government Strategy Portfolio, and that the minister considers important, those we try to put in the frame even at the expense of some other issues.’  
(an official)

*Mutta tietysti sitten, kun me sen kehyksen saamme...niin tottahan me yritämme sitten priorisoida niin, että niitä asioita, joita hallitusohjelmassa tai hankesalkussa on sovittu, joita ministeri pitää tärkeänä, niitä yritetään sitten sinne kehykseen panna vaikka jonkin muun kustannuksellakin.*

One interviewee, in whose view the ministry had not coordinated the connection between Frame Budgeting and Government Strategy Portfolio in any systematic way, suggested that the nature of the Portfolio might be accountable: ‘I don’t know what it [lack of systematic coordination] says. It might say something about the Portfolio itself.’ (*En tiedä, mistä se sitten kertoo. Saattaa kertoa siitä hankesalkutakin jotakin.*) The interviewee continued by analysing the shortcomings of the Portfolio, e.g., the Portfolio does not really steer action and the Portfolio may be ignored until the Prime Minister’s Office asks for updated information about the projects.

## 4.6 Conclusions

From the point of view of strategic political steering, there were problems with each strategic steering tool, both separately and with their interconnections. This was evident based both on the analysis of the documents themselves and on the interviews with officials and ministers.

The Government Programme is based on many conflicting goals and expectations, which leads to a morass of strategic goals and operational details. However, both of Lipponen’s Government Programmes differed from their predecessors in that the first section of the Programme presented nine to ten guidelines for the electoral period. These guidelines were goals to be achieved by the end of the period, and they can be interpreted as issues that the Government parties considered to be the strategic issues of the Government’s term of office. After this section of guidelines the Programme was organised according to the Government sectors with some ministries grouped together under a common heading and with the

EU having its own chapter. It was these sectoral sections that suffered from the diversity, the details and number of goals, nor did the sections have reference to the guidelines set forth for the whole Government in the beginning of the Programme. Overall, the Government Programme either had small issues that were too concrete or goals that were too general to be strategic, or it simply legitimised what the ministries were already doing.

As regards the Government Strategy Portfolio, both ministers and officials had rather negative views, but it was mainly ministers who also saw advantages. For ministers, the Portfolio had informational value in that it provided information about the projects of other ministries and was a useful means of monitoring the ministry's own projects in a coherent way. Thus, it can be said that the Portfolio had some importance at the level of the ministries, at least from the ministers' points of view. At the level of the Cabinet, however, the Portfolio was not paid much attention to. The projects were suggested by the ministries, and in the Cabinet meeting there was not much discussion about what projects were important. Every minister tended to defend his or her own projects. Overall, the Portfolio became to be seen as an administrative procedure contrary to its aim of strengthening political steering.

Frame Budgeting provides an opportunity for the Government to prioritise policy areas but this opportunity was not used. Budget frames were used to keep up tight financial policy, which in itself was a fundamental prioritisation. According to the interviews, the Government discussion on frames was a power struggle between the Minister of Finance and the minister concerned, while other ministers simply awaited their turn. Thus, the whole Cabinet was present, but the negotiation limited to two unless the Prime Minister had to intervene in a dispute. The limited discussion, and its character as a power struggle over separate issues between the super minister and the sectoral minister in question, led to a situation in which the majority of the appropriations were allocated based on historical information, and the Cabinet did not systematically make choices about priorities. Political decisions affecting the budget were made at any point during the year, without overall review from any point of view other than the control on spending exerted by the Ministry of Finance.

Both Lipponen Cabinets set up general guidelines for the Government in its Government Programme. One would assume that these strategic issues were carefully followed in the Government Strategy Portfolio and in Frame Budgeting. However, there was no explicit link between these guidelines and the Portfolio, nor between the guidelines and the Frame Budgeting. The Portfolio was based on sectoral sections of the Programme, which meant that every ministry had lobbied for its own projects that could be attached to the Programme. Moreover, in the process of Frame Budgeting, the Government Strategy Portfolio did not gain any significance unless the ministry in question promoted some specific project.

Overall, the role of the Cabinet was rather modest. Officials compiled the Government Strategy Portfolio and while it was approved by the Cabinet, there was not true political judgement involved. The Portfolio was based on the Gov-

ernment Programme, but since the Programme was not able to prioritise issues, the Portfolio was based on officials' judgement of the most important projects during the Government's term of office. As regards Frame Budgeting, the Cabinet as a whole did not take a leading role. It was the Ministry of Finance and the Minister of Finance who led the process, while the Cabinet as a whole did not discuss priorities. Every minister did his or her best to defend their own sectors and the principle of non-interference guaranteed that the Minister of Finance was able to play the budget game. Since the Cabinet as a whole was not willing to make allocation decisions across sectors, modifications to the budget were only marginal.

## 5 Strategic political steering in the ministry

This chapter is based purely on interview data with officials and ministers. The role of ministers as regards those strategic steering tools addressed in the previous chapter is analysed. The role of ministers in the Government Programme is not addressed here, because incumbent ministers have to take the Programme as given. It is, of course, possible that ministers have been part of their party's negotiation team in the Government negotiations, but without knowing whether they will become ministers or in what department. In addition to the strategic steering tools, strategy work inside the ministry, resulting in written strategy documents, is addressed in this chapter.

### 5.1 Ministers' views of strategic steering

Reforms of public administration in Finland have aimed at making it possible for political decision-makers to focus on socio-politically significant decisions instead of on details (Chapter 3.3). Management by Results, accompanied by decreasing the number of items in the budget, Frame Budgeting, reforming state aid to municipalities by introducing lump sum budgeting and deregulation in general all have reduced the number of detailed decisions that ministers have to take. However, politicians can use their authority in the ministry beyond formal structures even if the administrative steering system would focus their attention on general issues. Yet ministers still have to sign lots of papers. Signing routine decisions, however, is not the kind of detailed decision-making ministers are fond of. Ministers' interest in details is usually seen as a characteristic inherent in politics, which is true in the sense that they want to have an effect on issues important to their constituencies and supporters. This kind of interest in details came up in the interviews with officials, who did not, however, disapprove of this tendency, but felt it to be human and characteristic of politicians.

Restraining oneself from detailed steering does not represent strategic political steering in an active sense. Ministers themselves were asked in the interviews in what ways strategic steering was conducted. Only six ministers mentioned the preparation of formal strategy documents and/or operating and financial plans as tools of strategic steering. Three ministers saw strategic steering as occurring when different substance programmes are prepared and one minister equated strategic steering with cross-sectoral projects. One minister emphasised the will of the minister and considered the tools of steering unimportant compared to the availability of expert support in strategic issues. Another minister saw strategic steering as a personal way of thinking about the strategic issues in the field and how they should be addressed. Yet another minister emphasised the organisational reform in the field as a way to separate strategic and operative issues.

And still another minister intentionally blended strategic and operative management and participated in operative preparation by being in close contact with officials.

Many of those ministers who mentioned the preparation process of strategy documents and/or operating and financial plans as tools of strategic steering, also named other means of strategic steering. One of them emphasised the Government Programme as a basis for strategic steering and another mentioned examples of different strategic projects in the field. Yet another highlighted the management group in the ministry as a place for strategic decision-making. As was already mentioned in Chapter 3.4, only one minister mentioned Management by Results as a tool of strategic steering and this was in a sector that does not have agencies, only local and regional actors. The minister in question believed that MBR is a way to implement the strategy. The same minister also mentioned that the setting up of working groups is a strategic choice.

Thus, there was a wide range of ways to perceive strategic steering and not all of the ministers named concrete means. On the other hand, the interviewer did not insist on naming concrete strategic steering tools but allowed ministers to speak quite freely. If concrete tools were not mentioned, then this was considered to be a minister's interpretation of strategic steering. Overall, it seems that 'strategic' is a very loose concept to ministers. However, this is common to all of us, not just to politicians.

Interestingly, none of the ministers interviewed mentioned the Government Strategy Portfolio as their tool of strategic steering. Neither was Frame Budgeting mentioned separately. Only the general financial planning process was mentioned. This is not really a surprise, considering ministers' views about these tools as described in the previous chapter. The following Chapters, 5.2. and 5.3, address ministers' role as regards these two tools in their individual ministries.

## **5.2 Ministers and the Government Strategy Portfolio**

The Government Strategy Portfolio is compiled shortly after the Cabinet is nominated. The ministers interviewed mostly had experience with the Portfolio of 1999, which was made public the 10th of June while the Cabinet was nominated the 15th of April. Thus, ministers did not have much time to become acquainted with their fields or to consider which issues would be strategic. Ministers cannot anticipate their ministerial posts and even if they could be quite sure of becoming minister, the department might be a surprise. Consequently, it is understandable that the Portfolio was assembled by officials, with an approval on the part of the minister:

'Ministers formally consider it, but when the Portfolio has been compiled, yes, we circulate it to the minister, but this word active, that's where I took the bull by the horns, the minister has not been active.' (an official)

*Et kyllähän ministerit käsittelee muodollisesti sen, mutta ja kun sitä hanke-salkkua on tehty niin kyllähän me se ministerin kautta kierrätetään, mutta tää sana aktiivinen, se on se, mihin mä tartuin et ei hän oo ollu aktiivinen.*

‘The minister looks at these suggestions, but I don’t remember that in this or in the previous Cabinet they would have taken initiatives; they only approve what has been prepared.’ (an official)

*Kyllähän ministeri sitten katsoo nää ehdotukset, mutta en muista, että tässä tai edellisessäkin hallituksessa, että he olisivat kovin aloitteellisia siinä, enemmän hyväksyvät sen, mitä on valmisteltu.*

One ministry was an exception. Different departments of the ministry suggested their own projects and it was the minister’s choice as to which projects were put on the Portfolio: ‘Political selection is clearly involved.’ (an official) (*Kyllä poliittinen valinta on siinä selkeästi mukana.*) However, this method sounds like departments compete over how many projects each can get onto the Portfolio and the projects are most likely part of the ministry’s normal function, not related to truly strategic issues at the level of Government.

According to some officials, it is the Government Programme that determines the Portfolio and thus, the minister does not need to define the ministry’s suggestions for the Government Strategy Portfolio. This is a peculiar view, as the Government Programme does not identify priorities within the sectors, and thus, it is officials who do this prioritisation since the ministers only approve the suggestions of their officials. However, as acknowledged in the beginning, it is difficult for a minister to have a clear view of the strategic issues at such short notice if he/she has not previously had expertise in the field.

As it was already described in Chapter 4.3.4, ministers viewed the Government Strategy Portfolio mostly as informative, which actually means that the Portfolio has not been a strategic steering tool for ministers. Ministers have not been active in defining which projects are to be included in the Portfolio, neither have they been actively monitoring the projects between updates. During the electoral period, the Portfolio was updated twice a year and according to ministers’ comments, it was only at these checkpoints that attention was directed to the Portfolio. For a minister, this checkpoint meant that he/she could see how the projects have proceeded. If the minister actively monitored some project in the Portfolio between the checkpoints, it was because of the nature of the specific project rather than because of the Portfolio. Overall, the Portfolio was passive way of monitoring the projects, as the following citations illustrate:

‘Well, we have looked it through – is it two times a year – and I have looked at how my own projects have succeeded, those entities. In a way, you revise what you should have done. The only time I actively intervened in the handling of the Portfolio during this period was a year ago when they tried to kill off project X too early.’ (a minister)

*No sitä on aina sillon onko se nyt kaks kertaa vuodessa käyty läpi ja katottu, mites nää mun omat hankkeet on täällä nyt edenny et ne kokonaisuudet. Tavallaan tulee kerrattua, että mitäs kaikkea mun oliskaan pitänyt tehdä. Ainoa kerta, kun mä tässä tällä kaudella aktiivisesti siihen hankesalkun käsittelyyn puutuin oli se, kun vuosi sitten yritettiin X-hanke tappaa ennen aikojaan.*

‘Well, maybe it is a kind of checklist...where you are updated at certain intervals as to where we are going.’ (a minister)

*No ehkä se on tämmönen muistilappu tietyllä tavalla...että siinä tulee tietysin jaksoin päivitettyä, missä kohti mennään.*

### 5.3 Ministers and Frame Budgeting

Officials were asked, ‘In what ways has the minister been involved in the preparation of budget frames?’ Equally, ministers were asked, ‘In what ways did you participate in the preparation of budget frames before negotiating with the Ministry of Finance and before the Cabinet’s frame negotiation?’ The preparation of budget frames in a larger sense includes preparation that begins from operating and financial plans and ends up with a Government decision on frames. In the interviews, the operating and financial planning process was not addressed, and consequently, the preparation of frames is understood to begin when the ministry compiles its frame suggestion based on operating and financial planning.

According to the officials, the role of the ministers in the preparation of frames was central when the decision was made about which issues the ministry wanted to have more appropriations than before. ‘The basic plan’ and the financial development plan were made by officials; the minister became involved when it was decided which development plans the ministry would suggest that required additional financing. Likewise, the minister was deeply involved when development plans or other issues of disagreement with the Ministry of Finance were decided on for negotiation with the Ministry of Finance after the Ministry of Finance gave the ministry its feedback on frames.

The answers that the ministers gave did not really change the picture provided by the officials’ answers. According to the ministers, the role of the minister was central when deciding, first, what issues are so important that they have to be negotiated with the Ministry of Finance and second, what issues have to be addressed in the discussion with the whole Cabinet. The following citations describe an average process in the ministry, as told by the ministers themselves:

‘We have discussed a couple of times in the management group of the ministry. First, we have given general assignments and then we have finished the papers so that it is a subject of collective treatment. In the end, it is the minister who defines the exact numbers.’ (a minister)

*Meillä on johtoryhmässä ministeriössä käsitelty pariin kertaan aina ensiks annettu ikään kuin yleisemmät toimeksiannot ja sitten hiottu papereita että kyllä se on tällaisen kollektiivisen käsittelyn kohteena. Viime kädessä ministeri sitten kuitenkin tarkat luvut siinä määrittelee.*

‘It [budget frames] has been prepared in the management group in our ministry. Certainly, it is in many phases so that first we discuss what we will suggest and our departments provide suggestions; then we go through them; then minister says that these are emphasized more, these are emphasised less. Then we start looking at the numbers and it is the minister who accepts all these.’ (a minister)

*Siellä on johtoryhmässä meillä valmisteltu et tietysti sehän on monessa eri vaiheessa että ensin keskustellaan, mitä oikein esitetään, meidän osastoilta tulee sitten ehdotuksia, sitten me niitä käydään lävitse, sitten ministeri sanoo, että näitä painotetaan, näitä painotetaan vähemmän. Sit aletaan katsoa lukuja ja kyllä siinä että ministeri kaikki nää hyväksyy.*

‘Well, it goes like this, that the official responsible for the budget and the permanent secretary, I suppose it was so that first we go through these lines [to see] whether I have certain points of emphasis. They tell about the prospects and needs of operating and financial planning and then, of course, they ask what the minister thinks of this and based on those emphases, the first draft was made and then we decided what is politically worth trying. Usually, it is question of what it’s worthwhile to try to add. I mean, we were never decreasing anything; it was always about suggesting more money. As a minister, I then used political judgement about whether I try to get this and this first in the bilateral negotiations with the Ministry of Finance. And then I had thought [things] through in advance, since I knew that Niinistö [the Minister of Finance] would not agree with me on what issues I would bring to the Cabinet’s negotiation.’ (a minister)

*No se tapahtuu sillä tavalla, että budjetista vastaava virkamies ja kansliapäällikkö, varmaan se oli niin että ensin me käydään vähän läpi näitä linjoja et onks mulla jotain tiettyjä painotuksia, joita. He kertoo nyt, minkälaiset on TTS:n näkymät ja tarpeet ja sitten tietysti kysytään, että no mitäs ministeri tästä nyt ajattelee ja sitten niiltä painotuksilta sitten tehtiin ensimmäinen versio ja sitten päätettiin, mitä kannattaa poliittisesti yrittää. Yleensä on kysymys siitä, mitä kannattaa yrittää lisätä. Siis ei me koskaan oltu pienentämässä mitään, ainahan me oltiin vaan lisää rahaa esittämässä. Ministerinä käytin sitten aina poliittista harkintaa, että jos mä nyt yritän saada tätä ja tätä ensin niissä kahdenvälisissä VM:n neuvotteluissa. Ja sitten olin etukäteen miettinyt, että kun tiesin, että ei se Niinistö tähän nyt suostu niin minkä asian sitten nostan sinne hallituksen yhteiseen neuvotteluun.*

Papers related to the preparation of frames were addressed in the ministries in specific meetings or in the meetings of the management group of the ministry where ministers committed themselves on frames. Officials from the different departments prepared the proposals, and the top management and financial management of the ministry compiled these proposals as a suggestion for a ministry's draft of frames, which was then presented to the minister. One ministry had an exceptionally extensive preparation with the minister with the departments of the ministry presenting their own issues directly to the minister and the frame preparation papers finalised only after this minister round. Generally, however, ministries prepared their frames so that the ministers committed themselves only when the papers were fully prepared. However, if the minister was active, he/she could also give instructions even before the suggestions were asked from the subordinate administration. In addition, ministers had an effect on frames during the year when they expressed their emphases to their officials, e.g., connected to the results of the working groups.

The role of ministers in the preparation of frames was crucial when it came to deciding which issues were really those for which additional resources were worth fighting for. When the Ministry of Finance gave its feedback on the frame suggestion, the minister's role was also central in deciding which issues were to be addressed in the bilateral negotiation with the Ministry of Finance, and equally, which issues were to be dealt with later in the Government discussion on frames. In every ministry, the minister was strongly involved in these decisions. Before this phase of preparation, ministers' participation seemed to vary, but specific conclusions about previous participation cannot be drawn because this was not systematically asked in the interviews.

Officials often described the participation of their minister as one of talking through the issues:

'We certainly go through with the minister very intensively all that we put into these development plans and when the frame negotiations begin, we go through what corrections we want in detail and they [ministers] have a central role, at least in this ministry.' (an official)

*Kyllähän me käymme ministereiden kanssa ihan tiukkaan läpi kaiken sen, mitä me näihin menopainelaskelmiin panemme ja sitten, kun kehysneuvottelut alkaa, käydään yksityiskohtaisesti läpi, mitä me haluamme sinne korjauksia ja kyllä heillä on ihan keskeinen rooli ainakin tässä ministeriössä.*

'[The preparation of frames] is handled in long meetings, where we use more time than in the normal meeting of the management group.' (an official)

*[Kehysvalmistelu] viedään pitkissä kokouksissa lävitse, joissa mennään normaalijohtoryhmää pidempään ajankäyttöön. Ministeri tietää täsmälleen, mitkä nämä meidän asiat on.*

'We bring the preparation of frames to the management group at least two times and the minister gives instructions during that phase...The frame suggestion is brought to the management group to be accepted before it goes [to the Ministry of Finance] and the minister goes through all those points where we suggest more and the reasons for them.' (an official)

*Meillä tuodaan kehyksen valmistelu ainakin kahteen kertaan johtoryhmään ja ministeri antaa sitten siinä vaiheessa ohjeita...Kehysehdotus tuodaan hyväksyttäväksi johtoryhmään ennen kuin se lähtee [valtiovarainministeriöön] ja ministeri käy siinä ihan kaikki kohdat, joissa me ehdotetaan lisää ja niiden perustelut läpi.*

In many ministries the view of the minister's participation was pragmatic: because the minister is representing the sector in the Government discussion on frames, he/she has to be familiar with the issues to be able to perform convincingly. The minister decides on the issues for which more financing will be sought, 'because he/she is the one who fights for it' (an official); (*koska hän on se, joka sen sitten taistelee myöskin*). Related to this, it was also stated that basic plans are, of course, made by officials, 'but when we come to the question of whether we should have something else, then already the fact that ministers are present there [in the Government frame discussion] leads to the minister putting his/her heart into those issues to be presented so that he/she is able to present them [convincingly]?' (an official); (*mutta sitten kun tullaan siihen, pitäisikö saada jotakin muuta niin jo se, että ministerit on tuolla paikalla [hallituksen kehysneuvottelussa] niin tietysti johtaa siihen, että ministerin on vakavasti paneuduttava siihen, mitä hän siellä esittää, että hän sitten myöskin sen osaa esittää.*).

Almost all officials viewed the role of minister as central in their own ministry. From the two interviewees who did not accentuate the role of minister, one stated that ministers do not have time to orientate themselves deeply, and frame papers are brought to them only in the final phase. The other described the role of the minister more precisely so that discussions with the minister concerned two or three 'pain points' and whether they are worth fighting for with the Ministry of Finance. The minister does not, however, steer the whole process: 'That we would have some discussion about strategy and would have fundamental discussions about priorities, that does not happen, because this system does not need it, neither does it allow it.' (an official); (*Että meillä olis joku tämmönen strategiakeskus-telu ja käytäis perusteellisia painopistekeskusteluja tai muuta, ei semmosta tapahdu, koska tää järjestelmä ei semmosta tarvii eikä sallikaan.*)

Some ministers considered their role quite strong:

'I always feel that they are minister's suggestions; they always are so that you have to be committed to that issue. The suggestion of the ministry and the suggestion of the minister are one and the same in these issues.' (a minister)

*Mä koen aina, että ne on ministerin ehdotuksia, ne on niinku aina eli sillon sun täytyy olla itte sitoutunu siihen juttuun. Ministeriön ehdotus ja ministerin ehdotus on näissä kysymyksissä yksi ja sama.*

‘Our frame paper has been made so that there are those issues and goals that I have wanted to have put in there. Certainly, there are foundations that are ready and they originate from legislation...’ (a minister)

*No meidän kehyspaperi on tehty siltä pohjalta, siihen on laitettu sellaiset asiat ja tavoitteet, jotka mä oon halunnut sinne laitettavan. Tietysti on tämmöstä perusrunkoa, joka tulee, joka on valmiina ja joka tulee lainsäädännöstä...*

Not so strong a role was described by a minister who considered his/her role to be ‘traditional’ and ‘normal’:

‘Well, the preparation of frames is very traditional so that we have gone through the needs of departments; they have been reconciled with the frame of the ministry. Then we have negotiated with the Ministry of Finance about the frame of the ministry. I think it is very, should I say, normal, and my role is not very big or significant other than in the negotiation situation with the Ministry of Finance. Departments prepare and departments seek priorities and then they are dealt with at the ministry’s top management and after that with me so that this is how it works.’ (a minister)

*No se valmistelu on varmaan tämmönen kehyksien osalta hyvin perinteinen eli me on käyty osastojen kanssa läpi osaston tarpeet, ne on sovitettu sitten siihen ministeriön kehykseen. Ministeriön kehyksestä on sitten neuvoteltu VM:n kanssa että mä luulen, että se on hyvin tämmönen sanoisko normaali eikä se minun rooli siinä nyt oo mitenkään hirveen iso eikä merkityksellinen muutoin kuin sitten siinä neuvottelutilanteessa VM:n suuntaan. Osastot valmistelee ja osastot hakee niitä painopisteitä ja sit ne vielä käsitellään ministeriön ylimmän virkamiesjohdon kanssa ja sen jälkeen vielä minun kanssa että näin se kuvio siltä osin toimii.*

Another minister considered his/her role as rather ‘lightweight’ participation:

‘Well, it was rather lightweight participation so that officials came to tell me where the disagreements were between our ministry’s suggestion and the suggestion of the Ministry of Finance and then I chose what issues are fought for at the level of ministers. It was restricted to this little bit.’ (a minister)

*No sillai se nyt oli tavallaan aika kevyen sarjan osallistumista että virkamiehet tuli aina kertomaan mulle, että missä oli [X-ministeriön] virkamiesehdo-*

*tuksen ja VM:n virkamiesehdotuksen väliset ristiriidat ja mä sitten valitsin et mitkä näistä jutuista on ne, mitä ministeritasolla tapellaan eteenpäin että se rajoittui näin vähään.*

One can find interesting contradiction when the above minister's statement is contrasted with that of an official in the same ministry:

'The minister is actively taking part in the preparation of the budget and frames and they bring out such issues as they consider important. I would say that it works here in the budget issues' [referring to the fact that in the case of the Portfolio the minister is not really active]. (an official)

*Budjetin valmistelu ja kehysten valmistelu niin kyllä ministeri niihin ottaa aktiivisesti osaa ja myöskin sitten tuo esiin sen, et mitkä on ne asiat, jotka heidän mielestään on tärkeitä. Et kyllä se tässä budjettipuolella toimii.*

This official considered the minister's role as being central as did other interviewed officials. The official continued that 'it works here in the budget issues', referring to his/her earlier remark about the Government Strategy Portfolio where the minister was not really active. In other words, what an official considers to be active and satisfactory may be in a minister's view rather modest participation.

## 5.4 Ministers and sectoral strategies

In Finland, there has been no obligation for the ministries to develop strategy documents, nor are there any guidelines for how long a time perspective the strategies should cover. The only planning documents required are those relating to the budgetary preparation, including operating and financial plans for the following four years, a frame proposal for the four following years, and a budget proposal for the following year. Accordingly, ministries differ in the kinds of strategies they produce and in the length of the time period they cover. In addition, some ministries seem to consider their operating and financial plans to be strategic plans so that additional sector-wide strategic plans are not formulated.

Ministries produce three kinds of strategies or comparable documents. First, all ministries produce some sort of sectoral strategies, called 'substance strategies' in this study. Second, most ministries have produced a sector-wide strategy at least once, called 'strategic plan' of the ministry in this study. Those in the ministries would not use the term 'strategic plan' because 'planning' sounds old-fashioned; they simply call their strategic plans strategies. An example of a strategic plan would be the Strategy of the Ministry of Trade and Industry; an example of a substance strategy inside the ministry's sector is the National Climate and Energy Strategy. Finally, ministries develop communication strategies, personnel strategies, information management strategies, etc. These latter kinds of strategy

documents are not of great interest to ministers, but are considered to be the responsibility of leading civil servants in the ministry. They are not dealt with here.

According to the interviews, the ministries' strategic plans are considered to be relatively independent of the Government in office, although they cannot, of course, be in contradiction with the Government Programme.

'And this has been made based on the Government Programme. This strategy paper does not overstep the Government Programme in the wrong direction. I mean that the direction is the direction of the Programme.' (a minister)

*Ja tähän on tehty hallitusohjelman pohjalta. Tämä strategiapaperi ei ylitä hallitusohjelmaa ikään kuin väärään suuntaan. Että suunta on hallitusohjelman suunta.*

'As we now start to renew our strategy, we first make foundations from our point of view, that is, from the point of view of the administration, from the point of view of officials, and when the next Government Programme is accepted, then we check to see how it affects strategy. And, of course, the new minister accepts that strategy, but, of course, we try to have an effect so that the Government Programme would include issues from our point of view.' (an official)

*Kun meillä nyttenkin lähdetään uusimaan meidän strategiaa niin siihen tehdään ensin pohjat meidän näkökulmasta, siis ihan hallinnon näkökulmasta, virkamiesnäkökulmasta ja sitten kun seuraava hallitusohjelma hyväksytään, sitten katsotaan, miten se vaikuttaa strategiaan. Ja tietysti uusi ministeri hyväksyy sen strategian sitten, mutta tottakai me pyrimme myös vaikuttamaan siihen, että hallitusohjelmaan asioita tulee sitten siitä näkökulmasta kuin me täällä nähdään.*

Officials thought that ministries' strategic plans should not be too bound to the Government Programme, since ministries need to prepare for a longer period than the electoral period. Consequently, some officials believed that the role of the minister should not be very strong when it is a question of strategies covering more than one electoral period.

'When ministries make, that is, officials make long-term strategy, it has to go over two, three Governments' terms of office in order to see whether some changes are accomplished, that is, whether measures have the effects we hoped for, so that the minister is not perhaps steering that strategy work, particularly when the minister's task is to implement the Government Programme. The Government Programme is, however, the definition of policy of the Government.' (an official)

*Kun ministeriöt tekee, virkamiehet tekee pitkän tähtäimen strategiaa, senhän täytyy mennä ohi kahden, kolmen hallituskauden, jotta näkyisi sitten, saadaanko jotain muutoksia aikaan eli onko semmosia vaikutuksia toimenpiteillä, mitä toivotaan niin ministeri ei ehkä niinkään ohjaa sitä strategiatyötä varsinkin, kun ministerillä on tehtävänänsä toteuttaa hallitusohjelmaa niin hallitusohjelma on sitten kuitenkin se hallituksen linjaus.*

‘Certainly, all those kinds of documents like strategies made in the ministry, they are policy papers and consequently, the minister has to be involved so that they correspond to the current insight of what should be done. But I think that they should not be very intensively led by the minister because they should extend over the Government’s term of office, longer, and those should not be confused purely with the Government Programme, but they should extend farther into the future. I don’t mean that ministers would not be far-sighted people but in a sense, a minister’s responsibility in fact covers only the Government’s term of office and in that sense I think that preparation should be long-term; officials should think of ten years, two or three Governments’ terms of office at least in this kind of sector.’ (an official)

*Tottakai kaikki sen tapaiset asiakirjat, kun ministeriössäkin tehdään strategiaa, ne on politiikkapapereita ja siinä mielessä ministerin pitää olla mukana, että ne vastaa sen hetkistä käsitystä siitä, mitä pitäisi tehdä. Mutta ne ei saa minusta olla kovin intensiivisesti ministerivetoisia, koska niiden pitäisi ulottua yli hallituskauden, pidemmälle ja niitä ei saisi sotkea ihan puhtaasti hallitusohjelmaan, vaan sen pitäisi ulottua pidemmälle tulevaisuuteen. En tarkoita sitä, etteikö ministerit olisi kaukokatseisia ihmisiä, mutta tavallaan se ministerin vastuu asiallisesti ottaen määrittäytyy hallituskaudeksi ja siinä mielessä musta se valmistelun tähtäin on virkamiesten koetettava asettaa aika pitkälle tuonne kymmenen vuoden päähän, kahden, kolmen hallituskauden mittaiseksi ainakin tämmösellä hallinnonalalla.*

One minister believed that ministries’ strategic plans are in a ‘grey area’, supporting the views of the officials cited above:

‘It is, of course, an exciting paper [the strategic plan of the ministry] in that respect that it is not, the minister does not sign it, but certainly the minister is, I cannot say that boys there made this kind of paper. It has been, it is a little bit like in a grey area so that I have gotten the picture that ministers have not interfered so much with these kinds of regularly repeated things. But yes, I interfered with it by giving my own views there so that there is an opportunity if you want to use it like I think there should be.’ (a minister)

*Että se on tietysti semmonen sillä lailla jännä paperi [ministeriön strategiapaperi], että se ei oo niinkun, ei ministeri sitä allekirjoita, mutta totta kai ministeri on, en mä voi mennä sanomaan, että joo ne pojat siellä teki tämmösen paperin. Se on ollu, se on vähän semmosella jännällä harmaalla vyöhykkeellä et mulle on vähän muodostunut semmonen käsitys, et näihin ei oo niin paljon ministerit puuttunu tämmösiin tietyin väliajoin toistuviin juttuihin. Mutta kyllä mä siihen puutuin antamalla sinne omia näkökantoja et mahdollisuus on, jos haluaa käyttää niinkun mun mielestä pitää ollakin.*

Although officials tend to think that ministries' strategic plans need to be independent of the Government Programme, the influence goes both ways as the second citation in this Chapter showed. Ministries' strategic plans affect the preparation of the Government Programme, which is natural because civil servants are expected to provide information about challenges facing their sectors of government.<sup>67</sup> To view the relationship between strategic plans and the Government Programme, we can take a look at the time of publication of the strategic plan. Of the ten strategic plans that existed at the beginning of 2007, four were published during the preceding electoral period and six during the present electoral period. Of the latter, the strategy of the Ministry of Labour was already drafted during the previous electoral period. Of those four strategic plans published during the preceding electoral period, two were updates of existing strategies and two ministries did not previously have a strategic plan covering the ministry. Of those six strategic plans that were published during the present electoral period, two were new and the other ministries had had previous experience with strategic plans. Thus, the ministries have their own schedule of how often the strategic plan is updated. This has to do with the time span of the strategic plans. Ministries' strategic plans cover different periods of time, from four years to twenty years, or they are published with an undefined time frame. This underlines the fact that ministries' strategic plans are relatively independent of the political will, although in many introductory chapters of the strategies, it was emphasised that the Government Programme is taken into account and that the strategies are revised as needed.

The Ministry of Labour offers a clear example of how a ministry's strategic plan can affect the Government Programme. This is openly described in the appendix of the strategy document (Ministry of Labour 2003). The draft of the strategy was ready in March 2003 and made available to the people preparing the Government Programme. Thus, it was not a surprise that the ministry had to do only 'minor revisions' to its strategy after the Government Programme was published. The strategy preparation of the Ministry of Labour was also successful in the sense that the Employment Policy Programme became one of the four major Policy Programmes of the Government's new Programme Management

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<sup>67</sup> The ministerial group of the Central Government Reform stated in 2002 that ministries need to prepare so-called future outlooks. Before this, preparation was more varied.

approach. According to the Ministry of Labour (2003, 23), ‘the strategy was prepared in a way that made it possible to use it as a foundation for the Employment Policy Programme’.

This example shows that whether or not the strategy is based on the Government Programme is not a decisive factor, because the direction of influence goes both ways. In fact, a ministry’s strategy can be the basis of the Government’s Programme for that sector. Of course, parties do their own preparation, and interest groups do their best to have an effect on the Programme. But it is also possible that interest groups and parties, depending on the preparation procedure, have an effect on the ministry’s strategy document. The point is that a ministry’s strategy is more long-term oriented than the Government Programme, but the strategy cannot be in conflict with the Programme. There can be issues that were not treated in the Government Programme, and means might be presented regarding some issue of which the Government Programme could only come up with ends.

Since ministries’ strategic plans are considered to be the domain of the ministry, strategy preparation is a process led by officials. During the strategy process, ministers give comments on the drafts prepared by civil servants. Ministers provide a ‘political check’, as it is not useful to make strategies that are impossible to implement. Giving comments can be powerful if the minister has strong opinions, but usually the minister’s role is rather modest: the minister is informed and has the chance to have an effect. Answer of one minister as regards his/her participation is characteristic: ‘The draft is given to me to be considered’; (*Luonnos annetaan katottavaksi*).<sup>68</sup>

The following citations from officials describe the ministries’ strategy processes and the role of ministers in them:

‘We go through the strategy that officials have accomplished with the minister. Certainly in this work we take into account those policy definitions that already exist. But then we acquire the approval of the minister.’ (an official)

*Ministerin kanssa sitten käydään läpi se strategia, jonka virkamiehet on saanu aikaan. Tottakai tässä työssä otetaan koko ajan huomioon ne linjaukset, mitä jo on olemassa. Mutta sitten sille haetaan ministerin hyväksyminen.*

‘The central role of the minister is to bring forth focal political goals and the task of us officials is then to think what would be those key measures with which these political goals are achieved. And, of course, we gladly discuss

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<sup>68</sup> The question was, ‘How did you participate in the strategy work related to your ministry’s substance?’

Minister: You mean these strategy papers of the ministry?

Question: Yes.

Minister: ‘Well, in that way that the draft is given to me to be considered.’ (*Joo. No sillä tavalla, että luonnos annetaan katottavaksi*.)

these key measures with the minister and hope that minister is interested in them and not only in the end result.’ (an official)

*Ministerin keskeinen rooli on se, että hän tuo ne keskeiset poliittiset tavoitteet esiin ja meidän virkamiesten tehtävä on sitten miettiä, mitkä on ne avaintoimet, joilla nää poliittiset tavoitteet saavutetaan. Ja mielellään tietysti keskustellaan näistä avaintoimista hänen kanssaan, toivotaan, että hän on niistä kiinnostunut eikä vaan siitä lopputuloksesta.*

‘We have done [strategy work] so that it has been started by officials and we have tried to shape it into some form, but, of course, we think that we have some idea, and a fairly correct idea, of what ministers think and what the Cabinet thinks. After it is ready enough, so that one can figure out what the officials have thought, then we start to discuss with the minister what we have done, would it be okay. And then this discussion resulted in some changes as is appropriate.’ (an official)

*Me on tehty niitä niin, että ne on kyllä käynnistetty virkatyönä ja koitettu muokata johonkin muotoon, tietysti me kuvitellaan, että meillä on joku mielikuva ja kohtuullisen oikea mielikuva siitä, mitä ministerit ajattelee ja mitä hallitus ajattelee. Sitten kun se on riittävän pitkälle valmis, että siitä saa vähän selvää, mitä virkamieskunta on ajatellut niin sitten ruvetaan keskustelemaan ministerin kanssa, että tämmöstä on tehty, käviskö tämmönen. Ja sit siihen on tullut joitakin muutoksia tietysti siinä keskustelussa niin kuin kuuluukin tulla.*

As an answer to the question of what would be an appropriate role for a minister in the strategy work in the ministry, one official wanted to emphasise that strategy work is part of a ministry’s normal action and thus, the minister’s role is the normal decision-making role of a minister in the ministry:

‘The minister is the one with whom the political reaction is tested. And the minister looks at issues from the perspective of the ministerial period in office and if the ministry works rationally, then the strategy is modified according to the Government Programme; it is specified and thus, the minister usually finds it easy to adopt. The minister is in a sense a person who gets ideas but also the one who gives the final word as regards those issues that concern that period in office but the minister has no other role there. I mean, if the action in the ministry is based on strategy, then it is a natural part of action and the minister is involved in decision-making in his/her own role.’ (an official)

*No kyllähän ministeri on se, jolla tavallaan testataan se poliittinen reaktio. Ja ministeri katsoo oman ministerikautensa mittaisesti asioita ja jos ministeriö nyt toimii kuitenkin rationaalisesti niin ne asiat tulee siis strategiaa*

*muutetaan aina kuitenkin hallitusohjelman mukaisesti, sitä tarkennetaan ja ministerin on näin aina yleensä se helppo omaksua, mutta ministeri on tavallaan yksi ideoija muiden joukossa, mutta kuitenkin sitten se, joka sanoo lopullisen sanan aina oman ministerikautensa asioissa, mutta eihän hänellä muuta roolia siinä ole. Se on siis, jos ministeriön toiminta perustuu strategiaan niin sehän on silloin ihan luonteva osa toimintaa ja ministeri on siinä mukana päätöksenteossa omissa roolissaan, ei se sen kummempaa ole.*

Substance strategies, which cover only some aspect of a ministry's sector, are more politically loaded than sector-wide strategic plans and thus, they are typically treated in the Cabinet's ministerial working groups. In some cases, the Government officially approves the strategy and gives it to the Parliament as a report. Thus, many of the so-called substance strategies have a real, or at least an ostensible, connection to the Government in office in contrast to sector-wide strategic plans that are approved inside the ministry and are not even signed by the minister in all ministries. It must be added, however, that substance strategies do not form any coherent group, but can cover very specialised issues with no political interest as well as issues of high politics.

As regards substance strategies, the minister's involvement is varied according to both the minister's person and the amount of political attention and personal interest given the issue in question. Few ministers have actively led strategy processes. These more exceptional ministers had expertise in the field (which is usually not the case in Finland) or they were otherwise interested in being involved in concrete preparation, whether it is a question of strategy processes or other issues under preparation. The typical and traditionally-oriented generalist politician does not automatically consider strategy processes worth investing a lot of time and energy: they select those issues that are high on the political agenda of the Government or their party or on their personal agenda. Thus, strategic political steering as a way of action is not systematically adopted: ministers' interests reflect political pressures or their personal interests in issues. In practice, this means that some substance strategies are formulated quite independent of political steering and as a consequence, some areas of a ministry's field can operate under 'administrative steering'. Of course, in these cases too, where ministers do not show keen interest, ministers are informed and given the opportunity to comment and to have an effect. In addition, according to civil service ethics, officials are expected to react to the political will on their own initiative if there are explicit guidelines stated or 'in the air'.

Given the nature of the strategy documents in the ministries, it is no surprise that the strategy process is usually not very intensively led by the minister. First of all, strategy documents are usually made for a time frame much longer than one electoral period, while ministers bear responsibility only for their period in office. Secondly, the strategy process is not a short exercise that can be re-done every time a minister is replaced, which can happen between electoral periods. In addition, ministers are busy people. It does not seem, however, that their lack of time explains their background role in the strategy process, as none of the ministers

interviewed felt he or she would have given more time to drafting formal strategy documents had there been more time available. This may be because formal strategy documents are not felt to have any real effect, but this is only speculation. Although ministers were not, in most cases, happy with the time available, they would not have used additional time for formal strategic planning processes, but rather for informal debate and brainstorming with different people.

## 5.5 Conclusions

Ministers had varied ideas about the tools available for strategic steering. Most of them had a conventional view of strategic steering, as something taking place through strategic plans, substance strategies and/or operating and financial planning. When officials and ministers were asked about the strategy work inside the ministry, resulting in ministry-wide strategic plans and substance strategies or programs, the role of ministers was not, however, viewed as being very strong. At the very least, ministers approved the strategy, although they had not signed it in all of the ministries. It was also normal to modify the draft when it was brought up for discussion with a minister. But taking an active lead in the strategy work was exceptional and when it was a question of ministry-wide strategic plans, it was not even considered appropriate for a minister who stays in the ministry only for a Government term of office. As regards substance strategies, minister's involvement was not as restricted; ministers sometimes profiled themselves as leaders of substance strategy processes, especially in cases where strategy work was cross-sectoral and thus, political contribution necessary. A 'normal' minister, however, confined himself/herself to a traditional decision-making role in which officials prepare drafts and ministers are consulted during appropriate phases or at least at the end stage.

The analysis of ministers' roles in the Government Strategy Portfolio showed that there was no true political steering, not at the level of the Cabinet as the previous chapter showed and not in the ministries. The Portfolio was compiled by officials and ministers gave their acceptance. During the Government's term of office, the Portfolio provided a checkpoint for ministers to see the progress of their own ministry's projects as well as those of other ministries'. The Government Strategy Portfolio was purely informative and thus, a way of passive monitoring, not a tool of active strategic steering.

As regards Frame Budgeting, there was strategic political steering as ministers decided which issues were worth fighting for for extra financing. But as it is exceptional to have extra financing, ministers were capable of making only marginal modifications because they did not question the overall priorities in the budget. Discussion about priorities was minimal in that there was no discussion about priorities within the basic plan nor about how development plans might be prioritised at the expense of the basic plan.

## 6 Reflections on the years 2003–2007

The research problem in this study covers the period 1995 to 2003. However, as noted in Chapter 1.3.1, the Programme Management approach adopted in 2003 is a relevant reform in the context of strategic political steering. The purpose of this short Chapter is to offer some reflections on the years 2003–2007, that is, on practices of Programme Management in Vanhanen's first Cabinet. These reflections are based on comparisons between the primary data in the present study and the studies that have addressed Programme Management, notably Petri Eerola's (2005) comprehensive report.

The Programme Management approach in Finland is linked to what Christensen and Lægreid (2007) have called the 'whole-of-government approach'. These authors have remarked that in many countries where NPM reforms were adopted, there has been increasing interest in 'horizontal management'. One of the reasons behind this tendency is that NPM reforms have accentuated 'departmentalism', tunnel vision and 'vertical silos'. In Finland, the Programme Management approach has had two goals: to increase political steering and to improve the handling of horizontal issues (cf. Eerola 2005).

The Programme Management approach began in Jäätteenmäki's and Vanhanen's Governments in 2003.<sup>69</sup> Two officials responsible for the 'management' of Programme Management have recorded the cornerstones of Programme Management as follows (Harrinvirta and Kekkonen 2004):

- The Government Programme clearly identifies the Government's horizontal priorities
- The most important horizontal priorities identified in the Government Programme are organised as Policy Programmes
- The follow-up of the Government Programme is focussed around the Government's horizontal policy priorities with emphasis on the Policy Programmes but also on so-called 'other horizontal policies'; these are included in a new instrument called the Government Strategic Document (GSD)
- There is a full-time Programme Director nominated to manage the Programme
- For each Programme a Coordinating Minister is named who has political responsibility for the Programme area, which is larger than his/her own government portfolio
- A horizontal Group of Ministers deals with all the political questions and decisions related to the Programme

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<sup>69</sup> Prime Minister Jäätteenmäki's Cabinet was in office only a little more than two months, from 17.4.2003 to 24.6.2003.

- The role of the Prime Minister's Office is strengthened, including resources for follow-up of the horizontal objectives
- As part of the strengthened Government Programme follow-up, a particular effort is made to create and manage an evaluation of the effectiveness of the Government's horizontal policy objectives
- The Government Programme follow-up is closely linked with another powerful process, namely, the budget process; this means, e.g., that schedules for the political handling of both kinds of relevant information – budgetary and substantial – have to be coordinated and linked.

From the point of view of strategic political steering, it is notable that the new approach aimed at reforming the Government's strategic tools. The idea was that the new Government Strategy Document would introduce a genuinely government-wide strategic agenda with Policy Programmes and other horizontal projects while the earlier Government Strategy Portfolio was not able to create the Government's collective agenda (*Ohjelmajohtaminen valtioneuvostossa* 2002, 4, Figure 1; Kekkonen 2001). As regards budgeting, the aim was that it would support horizontality and that the two processes, budgeting and the Government Strategy Document, would be linked (*Ohjelmajohtaminen valtioneuvostossa* 2002, 3, 6). Programme Management had no consequences for strategy-making inside the ministries, although indirectly the demand for so-called 'future outlooks' (Ministerial Group 2002, 11), prepared for the Government negotiations, has produced pressure for strategy work, and in fact, some of the ministries used their first strategic plan as a future outlooks document as well.

When the interviews for this study were made in 2002 and 2003, Programme Management was addressed as a possible answer to the problems identified with strategic political steering. However, the evidence from the actual practices of Programme Management between 2003 and 2006 show that it has not been able to radically improve strategic political steering. Two secondary sources are available to make this judgement, the first of which is Eerola's (2005) evaluation study of Programme Management and the second being the evaluation report made by the Prime Minister's office (*Politiikkaohjelmat hallitustyössä* 2006). The latter report is more general by nature while Eerola's study is extremely helpful, because he has interviewed many of the same people as in the present study. He interviewed 98 people between October 2004 and March 2005, including ten ministers. Other interviewees consisted of top officials, party representatives and officials or other actors working in the four Policy Programmes or otherwise related to the Policy Programmes.

Comparison of the views of ministers interviewed in my study vis-à-vis the Government Strategy Portfolio (GSP in 1995–2003) and the views of ministers interviewed in Eerola's study (reported in Eerola 2005) vis-à-vis the Government Strategy Document (GSD 2003–2005) shows that almost nothing seems to have changed. Ministers presented similar criticism of the Government Strategy Portfolio and the Government Strategy Document in both studies. While the GSD was

described as 'administrative' (*hallinnollinen*) by ministers in Eerola's interviews, in my interviews with ministers the GSP was described as 'bureaucratic'. Both processes were described as technical. While such adjectives as 'heavy' (*raskas*) and 'wearing' (*puuduttava*) were attached to the GSD, and furthermore, that the GSD handling in the evening school was 'a grinding exercise', the process with GSP was described similarly, a dull obligation which had to be listened ('*pakkopullaa*'). GSP and GSD also shared the criticism that projects in the Strategy Portfolio or in the Strategy Document are not equally interesting politically and that the content is unequal in this respect, leading to the impression that getting through the whole Portfolio or the Document in the evening school sessions of the Cabinet was boring.

Despite the criticisms that ministers made of GSP in the Lipponen Governments, they also expressed many positive views: that GSP was informative as regards both their ministry's own projects as well as others'; that scheduling of the projects improved and that the connection between Government Programme and the work in the ministries was strengthened. The latter two points have to do with the fact that the Portfolio guaranteed that what was agreed on was actually implemented, both in Cabinet decision-making and in the administration.

The positive views of GSD were not much emphasised in Eerola's report. The basic idea of GSD as a tool that concretises the Government's main strategic goals was considered good and the GSD was viewed as giving rigour (*jäntevöittää*) to policymaking and to advancing issues in the long term. One minister described GSD as the Government's tool to 'smell, identify, provoke and react' (*haistaa, tunnistaa, herättää ja reagoida*) (Eerola 2005, 79). Of course, it is difficult to say, based on primary interview data and reported interview data (Eerola 2005), whether ministers interviewed in 2003 and 2004–2005 differed in their attitudes towards GSP/GSD, but perhaps the fact that expectations were great for Programme Management contributed to the seemingly more negative view of ministers of GSD than of GSP. In addition, because GSP already had produced some benefits, GSD did not introduce any new or improved benefits. Altogether it seems that ministers did not attach much importance to either GSP or GSD despite the fact that GSD has tried to intensify political handling of strategic issues.

The report made by the Prime Minister's office in 2006 pointed out that GSD has been an improvement by comparison with GSP, especially since the focus is on effectiveness and not on the Government's 'doings'. Nevertheless, as a Government tool to make policy lines and to plan policies, GSD has not gained the political relevance that was originally hoped (*Politiikkaohjelmat hallitustyössä* 2006, 25, 42).

As regards Frame Budgeting, the picture is similar: almost nothing has changed. One technical change, however, did occur: the introduction of a new rule (*menosääntö*) according to which the Government's first frame decision defines the overall spending limit for the whole electoral period (see Eerola 2005, 90). Despite a Programme Management approach that was supposed to improve the connection between GSP/GSD and budgeting as well as the handling of horizontal issues in budgeting, little improvement has in fact taken place. Several ministers

and top officials considered the joining of the GSD process and frame handling as ostensible and no more than temporally joined (Eerola 2005, 96). Moreover, ministers believed that the frame and budget preparation as well as Management by Results, still emphasised administrative territories (ibid., 91). According to ministers, the budget allocations between administrative sectors should be done more open-mindedly and the Government should have a better hold on strategic allocation of appropriations (ibid.). Overall, both during the Programme Management Approach and before it, ministers thought that Government's political discussion about policy lines in the budget process was inadequate and that the Ministry of Finance had a strong role (see Chapter 4.4.4 and Eerola 2005, 91). In practice, the Cabinet discusses only those issues that are not agreed on in the negotiations between a given ministry and the Ministry of Finance, representing only marginal modifications to the overall budget (see Chapter 4.4.4 and Eerola 2005, 91).

The report made by the Prime Minister's office in 2006 emphasised that Policy Programmes did not have their own budget frames. In the budget proposal, there has been a list of those budget items supporting the implementation of the goals of the Policy Programme. Allocation of resources has, however, often remained unclear (*Politiikkaohjelmat hallitustyössä* 2006, 37). It has been impossible in practice for coordinating ministers to participate in the frame and budget negotiations of different ministries, although decisions affecting the Policy Programmes are made there. In practice, coordinating ministers and programme directors could have had only informal impact on resource allocation (ibid., 33, 37). Overall, the report stated that the role of Policy Programmes and especially the role of the coordinating minister in budgeting have not become coordinating in the sense that Policy Programmes could have significant impact on reallocation of resources (ibid., 25). If the Government would follow the principles of strategic management, it would protect its strategic agenda, that is, the Policy Programmes, from operational planning by clearly earmarking the spending of Policy Programmes in the total budget (cf. Joyce 1999, 76–77).

Thus, it seems that the Programme Management approach has not been able to intensify the political handling related to the strategic steering tools. Similar criticism was reported in Eerola's interviews as in the interviews for this study in connection with GSP/GSD, Frame Budgeting and the links between these two. However, there was one significant addition to the Programme Management design, initiated by the Prime Minister himself. These Government Policy Forums aimed not only to evaluate the effectiveness of the policies but also to form the overall picture of the major developments in society by the middle of the election period and to draw policy conclusions for the remaining election period (Harrinvirta and Kekkonen 2005). Seven themes were discussed in 2005 and these mid-term Policy Forums were considered by ministers to be useful from the point of view of the comprehensive coordination of Government policy and of the Government working as a collective (Eerola 2005, 80). This evaluation on the part of ministers is notable as it is positively opposed to the criticism of GSD and Frame

Budgeting. It seems that politicians found a suitable forum for addressing strategic issues.

Related to the success of Policy Forums, Harrinvirta and Kekkonen (2005, 15) ask a good question, which they do not answer but leave for further analysis: 'Is the real political horizontal evaluation process possible with *good organising* in any political situation and with any political coalition in the Government ('management leads') or to what extent it is dependent purely on *the political goodwill* within the Government which depend on manifold things outside the reach of the management ('politics leads')?' (original emphasis). Their question is focused on the evaluation process of Government policies, but it can also be interpreted more broadly: Do politicians themselves decide how managerial they are or do management processes direct what politicians do? This study has shown that managerial practices have had a very limited effect on politicians. It seems that the lack of strategic political steering is explained more by the fundamental features of politics than by the fact that management tools and techniques would not have been good enough. We will return to this discussion at the end of the study.

## 7 Conclusions

This study has explored the idea and practices of strategic political steering after the New Public Management reforms in Finland. Before the research problem could be formulated, namely, ‘To what degree have Finnish ministers been able to provide the strategic political steering suggested by the reform rhetoric since 1987?’, a review of literature and a preliminary analysis of administrative reform documents were conducted. These supported the relevance of the research problem, both in the Finnish context and internationally. Three research questions were then posed, and the research report was organised accordingly. First, the role that NPM theoretically promotes for ministers was analysed. Second, the Finnish interpretation of this role was analysed, based on administrative reform documents in Finland since 1987. Third, the question of how this role has been carried out in practice between 1995 and 2003 was considered. The analysis of strategic steering practices was two-fold, building both on documentation related to these practices and on interviews with ministers and officials. This triangulation of data proved to be fruitful in constructing the overview of strategic steering practices. In evaluating the role of ministers, documents related to strategic steering were not informative. Thus, the analysis was based on interviews. It was important that both ministers and officials were interviewed. Perhaps surprisingly, there were no great differences between the views of ministers and their officials. Overall, the challenge was to construct a general view, taking into account both the Cabinet level and the departmental view. Admittedly, a focus on selected ministries and ministers could have shown more depth, but then the whole-of-government view would not have been possible.

The results of this study are summarised in Chapter 7.1. Chapter 7.2 includes a short summary of the results of the most relevant related studies, all of which have already been presented in Chapter 2. Chapter 7.3 includes discussion.

### 7.1 Summary

Contemporary ministers have to cope with expectations that they will play a strategic role. This is due to NPM type reforms which entail the idea that ‘political executives should concentrate on the broad, strategic decisions guiding operational execution, whereas operational details should be the domain of the agency’ (Maor 1999, 8). The content of strategic political steering in the NPM model is quite empty: ministers give strategic direction about operational issues. Thus, NPM advises separating strategic and operative decisions so that political executives can concentrate on the broad, strategic decisions, while operational decisions are taken by officials and agencies. However, at the same time NPM advises on the introduction of techniques of strategic management, which require linkage between strategic and operative decisions. Consequently, while ministers should not

interfere with operative implementation, successful strategic management would require it. In the NPM model, the role of the minister is inconsistent. In practice, sceptics like Maor (*ibid.*) predict that ministers cannot tolerate excessive levels of autonomy on the part of agencies and officials, and thus, the division between operative and strategic decisions is not clear-cut.

In addition to the inconsistency in separating strategic and operative decision-making, the NPM model includes contradictory logic vis-à-vis increasing the power of three actors traditionally seen as competitors. The reform agenda in Finland has followed this logic in calling for more ‘minister power, manager power and customer power’ (Pollitt and Bouckaert 2004, 165), in other words, ‘empower customers, free managers and strengthen political control’ (Christensen and Lægreid 2003, 308). ‘Customer power’ is not addressed in this study, but as for the two remaining groups, one can see, based on the documentary analysis in Chapter 3, that both the strengthening of political steering and increasing the discretion of agencies have been goals of the Finnish reform agenda. It was thought that political decision-makers no more need to interfere with details, which should be a relief to politicians as well as to officials.

It was shown in Chapter 3 that Management by Results introduced the idea of strategic steering in the Finnish ministries. The role of political steering in MBR was, however, quite vague and broad, with only abstract linkage to the actual process of MBR. The roles of the Parliament and the Government were dealt with together: they set the service and productivity targets in the laws and in the state budget. In addition, the Government can use the Government Programme to make strategic steering decisions. The actual practice reflects the abstract nature of these role definitions, with ministers having only a distant relationship to MBR. While the gap between MBR and political steering has been acknowledged, the importance of political steering has risen to the administrative reform agenda. In the administrative reform documents analysed in Chapter 3, the improvement of Frame Budgeting procedure and the strengthening of the Government Programme’s steering power by introducing and then further developing the Government Strategy Portfolio have often been mentioned as means of improving political steering.

In this study, the Government Programme, Government Strategy Portfolio and Frame Budgeting were identified as means of strategic political steering. The practices of strategic political steering in the Lipponen Cabinets were analysed in connection with these tools. Chapter 4 included the general analysis of these strategic tools as well as an analysis of the Cabinet’s role. Chapter 5 continued the analysis with a focus on ministers’ roles in their departments vis-à-vis strategic tools and also in the general strategy work in their fields.

Research question three requires two answers. First, how has the Cabinet performed in its strategic steering role between 1995 and 2003? Second, how have individual ministers performed their strategic steering roles in their departments? Regarding the Cabinet’s role, the Government Programme can be examined first. The Government Programme is written, or at least compiled, from suggestions

taken from various sources by parties forming the Government. The Programme is a binding steering document for ministers. Consequently, the content of the Programme should be examined for its ability to give strategic direction. As the analysis in Chapter 4.2.2 showed, the Government Programme in the Lipponen Cabinets consisted of two parts, the first of which gave general guidelines for the Government as a whole and the second consisting of sector-bound texts. General guidelines can be understood as issues that the governing parties considered to be the strategic issues during the Government's term of office. Sector-bound texts were independent of these general guidelines; there were no explicit cross-references. Certainly, implicit references could be found, because these guidelines tended to be vague. The problem with the sector-bound texts of the Government Programme was that the Programme is a coalition agreement by nature and thus, it includes compromises and many details that are a result of political bargaining: if one party wants one particular thing to happen, another party insists of its agenda being written into the Programme. Thus, the Government Programme either had issues that were too concrete or small or goals that were too general to be strategic, or it simply legitimised what the ministries were already doing. Consequently, it was difficult for ministers to use the Government Programme as a guide for steering strategic issues since those strategic issues were difficult to identify. If those general guidelines set forth at the beginning of the Government Programme were strategic issues, then they had been poorly followed, because they had not been taken into account in the Government Strategy Portfolio nor in Frame Budgeting, the two most important implementation tools. The Government Programme gave ministers guidance on specific issues and encouraged them to take care of details, but it did not support the strategic steering role of ministers.

While the Government Programme was not able to create the strategic agenda, that should not have been a problem, since the Government had a specific tool, namely, the Government Strategy Portfolio created for the purpose of providing a strategic agenda. However, as the interviews reported in Chapter 4.3.4 showed, the Government Strategy Portfolio was formed so that every ministry suggested projects of its own to be attached to the Government Programme and the Cabinet only approved these projects. There was neither the will nor the courage among Cabinet members to prioritise the projects and to make selections. Thus, the Portfolio could be characterised as the collected strategic agendas of each ministry. This reality was also shown in the way some of the interviewees spoke about the Government Strategy Portfolio: they referred to it as every ministry having its own project Portfolio.

The budget is an expression of the Government's policy priorities. Strategic steering decisions can be made in Frame Budgeting as it is this point in the decision-making procedure where significant resource allocation and reallocation decisions are to be made. As the interview citations in Chapter 4.4.4 showed, strategic discussion of resource allocation was scarce. The Cabinet did not take an active role in strategic political steering: it delegated decision-making power to the

Ministry of Finance who aimed at tight spending control, leading to a situation where only minimal modifications were allowed. It was not possible to discuss strategic change as long as the culture was such that only the sectoral minister and the Minister of Finance discussed each issue as these arose and moreover, there was no common view on the part of the Cabinet. The Cabinet did not act collectively in the budgeting situation; instead ministers competed with each other, which actually was expressed as an argument between the sectoral minister and the Minister of Finance. The rule of non-interference guaranteed that there was no strategic discussion in the Cabinet. The above-described budgeting method is typical of Cabinet government. While it reveals the lack of strategic political steering, it is by no means exceptional in the context of Cabinet government. Frame Budgeting as a reform has been able to introduce spending limits, but it has not been able to change *the politics of the budgetary process* (cf. Wildavsky 1984).

While the Cabinet was not able to provide strategic political steering, there is still the possibility that political steering was strong inside the ministries. If ministers take active steering roles within their departments, then the role of the Cabinet is not as crucial, since political judgement is exercised at the level of ministries. However, ministers adopted a rather passive role when the Government Strategy Portfolio was compiled. This is quite understandable as the ministers had not been in office for a long time, and may not have been familiar with the substance of their ministries. Thus, according to the interviews, ministers approved the list of projects suggested by their top officials. In practice, this meant that the strategic agenda of a ministry was defined by the ministry's top officials. Certainly, the projects selected for the Portfolio had connections to the text of the Government Programme, but it may as well be that the text in the Government Programme originated from the same writing desk in the ministry.

Ministers took more active steering roles when it came to allocation of resources. However, their interest was rather limited. Ministers selected a few issues for which they tried to get extra financing. This extra financing meant that ministers were competing with their colleagues for a small number of resources while leaving the bulk of the budget untouched. Since possibilities for getting additional resources for new issues were small, it would have been reasonable to set priorities within the ministry's own budget and not repeat past allocations year after year.

In addition to the strategic tools addressed above, there are also the ministry's strategic plans as well as substance strategies, all of which provide opportunities for strategic political steering. In the interviews, not all top officials welcomed the active role of ministers in strategic planning for the ministry. Some of the opinions quite sharply excluded ministers from long-term strategy work. Ministers themselves did not seem to oppose this exclusion, happily admitting that their role was not very strong. Ministers' opinions were taken into account, but they were not active participants in the strategy process. As regards substance strategies, the situation was much more varied. Some ministers took an active leading role in substance strategy work, while normally, officials led the process and the minister commented on drafts during appropriate phases.

Rhetorically, all ministers who were interviewed seemed to be engaged in strategic activities. This does not prove that public management reform has succeeded in shifting focus from operational activities to strategic ones. This shift has taken place in part because steering systems have been reformed and ministers have been directed not to become entangled in details. Part of the explanation may be that ministers have simply adopted the rhetoric of strategic steering. One indicator of this is that ministers did not mention Management by Results as an essential instrument of strategic steering, although it is precisely MBR that has introduced the idea of strategic steering in Finland (see Chapter 3). Thus, it seems that the rhetoric associated with Management by Results was adopted, while ministers themselves were not actively participating in the process of Management by Results, not to mention using it as a strategic tool. Another indicator of the gap between rhetoric and practice was that ministers named different sectoral strategies of the ministry as instruments of strategic steering, but when asked to describe their own roles in defining these strategies, they believed themselves to be rather passive. Their reactions support the view that although empirical evidence does not give much support to the actual success of strategic political steering, 'strategic' and 'strategy' have been rhetorical successes. Interestingly, ministers did not speak of strategy in the sense of political strategy; they had thought that the interview was about the strategic role implied in the administrative reforms.

Finally, in Chapter 6, the years between 2003 and 2007 were examined, the Programme Management approach having been adopted in 2003. For the purposes of this study, no primary data were acquired but fortunately, there was one good secondary source, namely, Eerola's (2005). His research allowed comparison with the results of this study, since he reported his results with the support of interview citations. When these citations from ministers were compared with those in the present study, the results showed that surprisingly little had changed: ministers described the practices before Programme Management with quite similar wording as during Programme Management. This means that the Programme Management approach has not been able to 'train' politicians for a strategic role and suggests that the tools of strategic steering are not decisive. We will return to this conclusion in Chapter 7.3 after summarising the results of some of the studies most relevant to our research problem. They too suggest that the modest success of rational managerial models in politics is more about the nature of politics than the weaknesses of management tools.

## **7.2 Summary of the results of related studies**

Pollitt and Bouckaert (2004, 150) observe that the role of a minister in the NPM model is that of strategist and opinion leader. Cynically, these authors conclude that 'There seems little evidence that this is a credible vision of any likely reality'. In consensualist political systems like Finland's, this vision is even less likely to hold than in majoritarian systems. Although this study can speak only for Finland

as regards the success of strategic political steering, earlier studies of the UK and Australia show that it has not been much easier to achieve strategic political steering in these majoritarian systems either. As described in Chapter 2.2.3, MINIS in the UK was not a success. According to Zifcak (1994, 35–9) even the more managerially-oriented ministers failed to take the wider, strategic view. Furthermore, while officials considered MINIS to be a strategic tool for helping to plan and achieve long-term operational goals, ministers used it to assist in attaining short-term political objectives. Moreover, ministers used the information provided by MINIS to intervene in selected departmental operations instead of using it as a tool to establish priorities and achieve a comprehensive overview of those operations (*ibid.*, 39). These selected interventions reflected ministers' particular interests or favourite issues.

The evidence from Australia is similar. The plan was that ministers should participate in the development of their departments' goals and strategies and take part in the allocation of resources. To achieve this, ministers needed information about operational and managerial issues (Zifcak 1994, 92–3). In practice, departments and agencies engaged in corporate planning in which ministers' roles would be the setting of departmental directions (*ibid.*, 99–101). Since corporate planning was based on formal logic and analysis, there were several problems in trying to adjust ministers to its approach. First, in order to succeed, ministers had to be willing and able to set priorities in their portfolios. Ministers, however, were disinclined to set priorities, perhaps not so much because they were not able to but because the 'ministerial method' consists of negotiation, bargain, trade-off and artfulness, and it would be against this 'political gamesmanship' to commit in advance to some publicly-articulated plan (Zifcak 1994, 103). Second, whereas corporate planning was suited to the long term, ministers had to respond to constantly changing political, economic and social environments and thus, ministers' 'political horizons were far more limited' (*ibid.*). Overall, corporate planning was not regarded as particularly helpful by ministers.

Experiences in state level politics are very similar to these at the local level, even if the difficulties are the most striking at the local level where the role of politicians has traditionally been that of direct representatives of citizens. Studies from Norwegian local politics (Vabo 2000 and Kleven et al. 2000) show that a 'strategic leadership' role as proposed in NPM rhetoric is not easily transplanted to local politics where the traditional role is still held in high esteem. 'The concept of strategic leadership has not been implemented as intended' and 'the ordinary politician is perplexed and feels uncomfortable in her or his new role' (Vabo 2000, 360). Local politicians were not comfortable with such organisational solutions where they cannot have an effect on details.

Evidence from Finnish local politics is similar. Möttönen's (1997) thesis was inspired by the question of whether Management by Objectives (MBO) can work in the relationship between political decision-makers and office holders. Möttönen identified the recommended model of politico-administrative relationship implied by MBO, according to which political decision-makers should concen-

trate on drawing up strategies, deciding on policy and setting aims. Officials, on the other hand, are assigned responsibility for operative matters. Möttönen's empirical conclusion based on a case study of two municipalities was that political decision-makers have not accepted the role assigned to them. The division of work between politicians and officials had not changed to respond to the model implied by MBO, except that politicians had less formal authority than before (ibid., 171). In addition, Möttönen emphasised from the theoretical perspective that the principles of MBO are unsuitable as a basis for assigning roles and responsibilities to officials and politicians. He concluded that a results-oriented system is not compatible with politics. Consequently, the system will not work and the delegation of authority that it entails means that officials get the discretion while political decision-makers are left with no operative decision-making ability yet they are unable to provide strategic guidance. In addition, Möttönen argues that politicians would lose even more of their power if they committed to such a system.

### 7.3 Discussion

The results of this study, together with experiences from other countries and from local politics, suggest that political decision-makers have difficulties operating at the strategic level. It is argued here that this difficulty has to do with fundamental features of politics. There have been suspicions that planning does not fit with politics (Olsen 1983), strategic management does not work in politics (Nylehn 1998) and that Management by Objectives is not compatible with politics (Möttönen 1997, 1998). Osborne and Gaebler (1993, 235) go as far as to claim that 'Strategic planning is the antithesis of politics'. Planning, strategic management and Management by Objectives are closely related concepts. Planning is part of strategic management, and Management by Objectives requires some sort of planning and strategic management procedures.<sup>70</sup> The basis of all three is the definition of goals. However, politics does not start from goals but from issues (Bryson 1995, 11–12). According to Johan Olsen (1983, 113), the rule in executive policy making is: 'Do not announce a position; do not commit yourself at an early stage.' Zifcak (1994, 103) too points out that the 'ministerial method' consists of negotiation, bargain, trade-off and artfulness, and it would be against this 'political gamesmanship' to commit oneself in advance to some publicly articulated plan. This means that politics is based on a 'sounding out' process where goals are formed as a part of the decision-making process, and alternatives are developed at the same time as the goals. In addition, the registration of political support is an important part of the process (Olsen 1983, 114). This process of politics is fundamentally different

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<sup>70</sup> At the simplest level, strategic management is about defining goals and the means to achieve those goals as well as taking care of resource allocation and monitoring that action is taken.

from planning where goals are set first and then the best way to achieve them is sought (ibid., 113; Bryson 1995, 11–12).<sup>71</sup>

In addition, in consensualist political systems like Finland's, ministers' political success depends on their ability to build coalitions, in which case clear statements of strategies and priorities may be counter-productive (Pollitt and Bouckaert 2004, 151). 'Nothing in NPM can change this political dynamic' (ibid., 151). Another difficulty with coalition Governments is that if important issues during the electoral period are not written down in the coalition agreement (i.e., the Government Programme), it may be extremely difficult to introduce them, and especially difficult to make changes to the issues agreed-upon.

In addition to this fundamental feature of political decision-making, where goal definition is part of the complex process of politics and where clear statements of goals and priorities can be dangerous, there are concrete constraints that affect politicians' behaviour. These constraints concern the time horizon, ambitions for re-election, the role ideologies play and time resources.

Ministers' time horizons are limited to the electoral period. The short time horizon tends to focus attention on single matters that a minister faces during the electoral period, not on strategic issues that reach beyond the cycle of four years. The Government Programme too is a strategic agenda for only a four-year period, meaning that future challenges are addressed in periods of four years defined by the political logic. Administrative logic may cover a longer time frame, but this is done on a sector basis only, while it is likely that strategic issues require the whole-of-government view.

In addition to 'the electoral period constraint', ministers suffer from 're-election constraint'. Most ministers are parliamentarians and most want to continue in Parliament and possibly as ministers. It is also the legitimacy of ministers that requires them to seek support from their constituencies. The ambition for re-election does not favour long-term policy development or a focus on strategic priorities because the media and the constituency tend to pay attention to matters requiring immediate reaction. Moreover, promising 'something to everybody' is much more likely to pay off than focusing on priorities. This tendency is accentuated in the context of coalition Governments where different ideologies and values compete and where choosing some value promoted by a certain party would be an offence against other parties' constituencies.

'The constraint of ideology' is not confined only to re-election issues. It has an effect on the basis of strategic political steering, namely, the Government Programme. In the Government Programme negotiations, the idea of strategy is watered down because different ideologies include different understandings of how issues are related to each other. Even if the parties can agree on goals, they cannot agree on means if their views of causal relationships differ because of ideologies.<sup>72</sup>

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<sup>71</sup> John Bryson (1995, 10) argues that the strategic planning process promoted in his book builds on the nature of political decision-making. Thus, he does not consider politics incompatible with planning.

<sup>72</sup> The idea of ideology as a constraint in coalition Governments is Turo Virtanen's (discussion with the present author).

For example, reducing unemployment may be a common goal of all parties, but different ideologies have different views on effective and equitable means. Ideology as such is not an enemy of strategy; if a minister operated in a political vacuum, ideology would probably support the strategic role.

Finally 'the time constraint', namely, the hopelessly full calendar of ministers makes it difficult for them to focus on their strategic role. Their timetables are filled with tasks of reactive nature, leaving little time for pro-active thinking and acting. In addition, ministers do not spend much time together, thus leaving very little room for strategic discussion of issues that would require the attention of the whole Cabinet.

These four constraints are essentially about the incentives of politicians. It would be easy to suggest that politicians should make time for tasks related to strategic steering, but if they do not have the incentive to do so, why would they bother? Incentives guide ministers to focus on single matters and short-term political achievements and avoid clear statements of goals and priorities. Consequently, it may not be relevant to ask whether ministers are able to adopt a strategic role but rather to consider the possibility that they do not have incentives to do so, making it quite frustrating to develop rational managerial models as tools for politicians. An extreme solution to the problem of politicians' incentives would be to suggest that it is the citizens who need education in order to learn to appreciate the strategic role of politicians. This solution, however, is utopian.

To suggest that there are problems with incentives in politics is also to suggest that there is something wrong with politics. The author does not, however, want to make such a claim. Rather, it should be emphasised that the problem originates in the logic of NPM, which has proved to be unsuitable in the world of politics. Finally, it should be noted that political strategy is different from strategy in management literature. What is not defined as 'strategic' in management literature may be highly strategic in a political sense. In a way, politicians have the freedom of defining the limit between 'strategic' and 'operative' because they can make an operative issue strategic by politicising it. And they have every right to do so.

Pollitt and Bouckaert (2004, 156) have stated, 'There is an absence of evidence concerning the willingness or ability of executive politicians to become the "strategic managers" of their portfolios. The kindest thing that could be said about reform models which cast politicians in such roles would be that they are unproven and seem to fly in the face of known incentives to behave in a more traditional "political" fashion'. The present study has explored the Finnish case in detail and no evidence was found to overrule this general statement by Pollitt and Bouckaert. Although the research problem addressed consequences of administrative reforms, the empirical results tell more about age-old principles of Cabinet government rather than managerial principles. It indicates the power of politics over management reforms.

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# Appendix 1: Analysed documents

The analysis in Chapter 3 covers thirty-one documents or reports between 1987 and 2003.<sup>73</sup> Below, the nature of documents as well as their exact titles are presented according to the Government in question. The analysed documents are included in the references only if they have been cited. When the document is not a publication, it was acquired through the Government central archive or through the web pages of the Ministry of Finance. The Government Programmes since 1917 are available from the Government web service.

## The Holkeri Government 1987–1991

### The Government Programme

- Pääministeri Harri Holkerin hallituksen ohjelma 30.4.1987

### Four Government Decisions

- VNp 1987. Valtioneuvoston päätös hallinnon hajauttamisesta 29.1.1987.
- VNp 1988. Valtioneuvoston päätös toimenpiteistä hallinnon uudistamiseksi 12.5.1988.
- VNp 1989. Valtioneuvoston päätös 9.3.1989 toimenpiteistä hallinnon palvelukyvyyn parantamiseksi ja ohjauksen uudistamiseksi vuonna 1989.
- VNp 1990. Valtioneuvoston päätös toiminta- ja taloussuunnitelmien sekä tulo- ja menoarvioehdotusten laadinnassa sovellettavista periaatteista 18.10.1990.

### The Government White Paper to the Parliament

- *Palvelevampaan hallintoon*. 1990. Valtioneuvoston selonteko eduskunnalle julkisen hallinnon uudistamisesta. Helsinki: Valtion painatuskeskus.

### Two working group memos

- *Tulosbudjetointi ja tulosohjaus*. 1990. Helsinki: VAPK-kustannus ja Valtiovarainministeriö.
- *Ministeriö tulosohjaajana*. 1990. Helsinki: VAPK-kustannus ja Valtiovarainministeriö.

## The Aho Government 1991–1995

### The Government Programme

- Pääministeri Esko Ahon hallituksen ohjelma 26.4.1991

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<sup>73</sup> Research reports are not included here. The reports refer to the Lipponen II Government where some of the sub-projects of the Central Government Reform resulted in reports having individual authors instead of a working group. In addition, a report commissioned from Geert Bouckaert, Derry Ormond and Guy Peters is included in the document analysis because it is generally referred to as the basis for Central Government Reform.

### Government Decision (Programme Decision) and its memorandum

- VNp 1992. Valtioneuvoston ohjelmapäätös julkisen sektorin uudistamiseksi 7.5.1992, including Liitemuistio 27.3.1992.

### Government Resolution and its memorandum

- VNpp 1993. *Valtioneuvoston periaatepäätös toimenpiteistä keskushallinnon ja aluehallinnon uudistamiseksi 17.6.1993*. Helsinki: Valtiovarainministeriö. (Publication includes both the Resolution and the memorandum.)

### Two working group memos

- Ministeriö tuloksentehtävänä. Ministeriön tulosohjauksen kehittämishanke II. Valtiovarainministeriön työryhmämuistioita 1/1995. Helsinki.
- Luottamus, läheisyys, linjakkuus. Vallan ja vastuun uusjakoon julkisessa hallinnossa. Valtioneuvoston kanslian asiantuntijaryhmä 28.2.1995. Helsinki: Valtioneuvoston kanslia.

### 'One man committee' report

- *Yksiportaiseen keskushallintoon*. Selvitysmies Pekka Ojalan ehdotukset valtion keskushallinnon toimivallanjaon ja tehtävärakenteen muuttamiseksi sekä keskushallinnon supistamiseksi. Keskushallinnon rationalisointihankkeen loppuraportti. Komiteamietintö 1992: 28. Helsinki: Valtion painatuskeskus.

## **The Lipponen Government 1995–1999**

### The Government Programme

- Pääministeri Paavo Lipposen hallituksen ohjelma 13.4.1995

### The Government Resolution and its background memo

- VNpp 1998. Laadukkaat palvelut, hyvä hallinto ja vastuullinen kansalaisyhteiskunta. Valtioneuvoston periaatepäätös 16.4.1998. Helsinki: Edita. and Laadukkaat palvelut, hyvä hallinto ja vastuullinen kansalaisyhteiskunta. Valtioneuvoston periaatepäätös 16.4.1998. Taustamateriaalia. Helsinki: Edita.

### Four working group memos

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- Valtioyhteisön hallintopolitiikka -hanke. Keskushallintotyöryhmän muistio. Valtiovarainministeriön työryhmämuistioita 25/97. Helsinki.
- Valtioyhteisön hallintopolitiikka -hanke. Tulosojhaushankkeen muistio. Valtiovarainministeriön työryhmämuistioita 35/97. Helsinki.
- Kehystyöryhmän muistio. Valtiovarainministeriön työryhmämuistioita 6/97. Helsinki.

## **The Lipponen II Government 1999–2003**

### The Government Programme

- Pääministeri Paavo Lipponen II hallituksen ohjelma 15.4.1999

### Two Standpoints of the Ministerial Group

- Standpoint of the Ministerial Steering Group to the Reform of Central Government. Ministry of Finance, Public Management Department, Finland 20.6.2001. (Ministerityöryhmän kannanotto keskushallinnon uudistamiseksi. Hallituksen iltakoulumuistio 20.6.2001.)
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### Memo on the launch of the Central Government reform

- Keskushallinnon uudistaminen -muistio 8.6.2000. Muistio on käsitelty hallituksen iltakoulussa 24.5.2000.

### Seven reports/working group memos

- Bouckaert, Geert, Ormond, Derry and Peters, Guy. 2000. *A Potential Governance Agenda for Finland*. Helsinki: Ministry of Finance.
- Kekkonen, Sirpa. 2001. *Hallituksen yhteisen poliittisen johtamisen vahvistaminen. Keinona ohjelmajohtaminen*. Helsinki: Valtiovarainministeriö.
- Määttä, Seppo, Peltomäki, Antti, Holkeri, Katju ja Kekkonen, Sirpa. 2001. *Avauksia hallitusohjelmavalmistelun tieto- ja tietämysperustan kehittämiseen*. Helsinki: Valtiovarainministeriö.
- *Valtioneuvoston työskentelytavat*. 2001. Helsinki: Valtiovarainministeriö.
- *Ministeriön tulosohtausotteen terävöittäminen*. Valtiovarainministeriön työryhmämuistioita 26/2001. Helsinki: Valtiovarainministeriö.
- *Ohjelmajohtaminen valtioneuvostossa. Uusi menettely ja uudet asiakirjat*. Valtioneuvoston ohjelmajohtamisen simulointihankkeen raportti 15.10.2002. Helsinki: Valtiovarainministeriö.
- *Tulosohtauksen terävöittäminen*. Valtiovarainministeriön työryhmämuistioita 9/2003. Helsinki: Valtiovarainministeriö.

## Appendix 2: Memoirs of ministers between 1983 and 2003

- Aho, Esko. 1998. *Pääministeri*. Helsinki: Otava.
- Alho, Arja. 1997. *Kafka kävi meillä*. Helsinki: Tammi
- Andersson, Claes. 2000. *Kaksitoista vuotta politiikassa – katkelmia, muistikuvia, unia*. Helsinki: WSOY.
- Hassi, Satu. 2002. *Tukka hattuhyllyllä*. Helsinki: WSOY.
- Holopainen, Kauko (biography of Prime Minister Harri Holkeri). 1989. *Harri Holkeri. Kahden presidentin mies*. Helsinki: Kirjayhtymä.
- Jätteenmäki, Anneli. 1999. *Oikeus voittaa!* Helsinki: Edita.
- Jätteenmäki, Anneli. 2002. *Sillanrakentaja*. Helsinki: WSOY.
- Kasurinen, Anna-Liisa. 2000. *Elämän pituinen matka*. Helsinki: Edita.
- Kuuskoski, Eeva (ed. Risto Lindstedt). 1991. *Ihmisten kanssa*. Porvoo: WSOY.
- Leppänen, Urpo. 1991. *Vaimoja, valtaa, vastuksia*. Huhmari: Karprint Ky.
- Markkanen, Tapani (biography of minister Mauri Pekkarinen). 2005. *Mauri Pekkarinen, Poliitiikan pikkujättiläinen*. Jyväskylä: Atena.
- Niinistö, Sauli. 2005. *Viiden vuoden yksinäisyys*. Helsinki: Teos.
- Paasio, Pertti. 1996. *Minä ja Mr. Murphy*. Jyväskylä: Gummerus.
- Paasio, Pertti. 1998. *Punatulkku ja sikarodeo*. Jyväskylä: Gummerus.
- Pesälä, Mikko (ed. Jussi Pesälä). 1998. *Herrana on hyvä olla*. Jyväskylä: Gummerus.
- Pihlajamäki, Veikko. 1995. *Kohtalona K-linja. Pohjalaisen patriootin muistelmia*. Porvoo: WSOY.
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- Rantanen, Paavo. 2000. *Talviministeri. Diplomatian näyttämöitä politiikan parasvaloihin*. Jyväskylä: Gummerus.
- Rehn, Elisabeth (ed. Saska Snellman). 1998. *Kaikki on mahdollista. 90-luvun muistelmät*. Porvoo: WSOY.
- Siimes, Suvi-Anne. 2002. *Politiikan piilokuvat*. Helsinki: Otava.
- Soininvaara, Osmo. 2002. *Ministerikyyti*. Helsinki: WSOY.
- Talvitie, Eveliina (biography of minister Ilkka Kanerva). 2006. *Moniottelija Ilkka Kanerva*. Helsinki: WSOY.
- Uosukainen, Riitta. 1996. *Liehuva liekinvarsi*. Porvoo: WSOY.
- Venamo, Pekka. 1999. *Pekka, Posti ja Sonera*. Helsinki: Otava.
- Viinanen, Iiro (ed. Jaakko Okker). 1993. *Iiro Viinasen tulo- ja menoarvio*. Porvoo: WSOY.
- Väyrynen, Paavo. 1993. *On totuuden aika*. Porvoo: WSOY.

## Appendix 3: Officials and ministers interviewed

### Interviews with top officials in 2002

- Aaltonen, Heikki 8.2.2002, Permanent State Under-Secretary, Prime Minister's Office
- Hautojärvi, Sirkka 13.2.2002, Permanent Secretary, Ministry of the Environment
- Korpela, Juhani 18.2.2002, Permanent Secretary, Ministry of Transport and Communications
- Krogars, Marco 19.2.2002, Director-General, Ministry of Defence
- Lehto, Markku 14.3.2002, Permanent Secretary, Ministry of Social Affairs and Health
- Linna, Jurkka 26.2.2002, Administrative Manager, Ministry of the Interior
- Linna, Markku 7.3.2002, Permanent Secretary, Ministry of Education
- Mäkinen, Hannu 7.2.2002, Deputy Budget Director, Ministry of Finance
- Rissanen, Kirsti 28.2.2002, Permanent Secretary, Ministry of Justice
- Torstila, Pertti 5.3.2002, Permanent State Under-Secretary, Ministry of Foreign Affairs
- Viherkenttä, Timo 5.6.2002, Deputy CEO, The Local Government Pensions Institution (Budget Director, Ministry of Finance during 1998–2002)
- Virtanen, Erkki 14.2.2002, Permanent Secretary, Ministry of Trade and Industry
- Wallin, Markku 19.3.2002, Permanent Secretary, Ministry of Labour
- Yrjönen, Risto 21.2.2002, Special Advisor (*neuvotteleva virkamies*), Ministry of Agriculture and Forestry

### Interviews with ministers in 2003

- Backman, Jouni 12.2.2003, Minister in the Ministry of Interior and the Ministry of Finance 13.4.1995–15.4.1999; Minister of the Environment 31.5.2002–17.4.2003
- Enestam, Jan-Erik 1.8.2003, Minister of Defence, Minister in the Ministry of Social Affairs and Health 2.1.1995–13.4.1995; Minister of the Interior 13.4.1995–15.4.1999; Minister of Defence, Minister in the Ministry of Foreign Affairs 15.4.1999–17.4.2003; Minister of the Environment, Minister in the Ministry of Foreign Affairs 17.4.2003–31.12.2006
- Filatov, Tarja 19.3.2003, Minister of Labour 25.2.2000–19.4.2007
- Hassi, Satu 11.4.2003, Minister of the Environment, Minister in the Ministry of Foreign Affairs 15.4.1999–31.5.2002
- Heinonen, Olli-Pekka 20.1.2003, Minister of Education 11.2.1994–15.4.1999; Minister of Transport and Communications 15.4.1999–4.1.2002

Hemilä, Kalevi 18.2.2003, Minister of Agriculture and Forestry 13.4.1995–1.2.2002

Itälä, Ville 11.6.2003, Minister of the Interior 1.9.2000–17.4.2003

Korhonen, Martti 20.3.2003, Minister of Regional and Municipal Affairs 15.4.1999–17.4.2003

Koskinen, Johannes 11.2.2003, Minister of Justice 15.4.199–23.9.2005

Lindén, Suvi 27.3.2003, Minister of Culture 15.4.1999–5.6.2002

Mönkäre, Sinikka 1.4.2003, Minister of Social Affairs and Health and Minister in the Ministry of Environment 13.4.1995–15.4.1999; Minister of Labour 15.4.1999–25.2.2000; Minister of Trade and Industry 25.2.2000–17.4.2003; Minister of Social Affairs and Health 17.4.2003–23.9.2005

Perho, Maija 4.2.2003, Minister of Social Affairs and Health 15.4.1999–17.4.2003

Rask, Maija 29.1.2003, Minister of Education 15.4.1999–17.4.2003

Sasi, Kimmo 14.2.2003, Minister of Transport 15.1.1999–15.4.1999; Minister for Foreign Trade and Development, Minister in the Ministry of Trade and Industry 15.4.1999–4.1.2002; Minister in the Prime Minister's Office 1.7.2000–4.1.2002; Minister of Transport and Communications 4.1.2002–17.4.2003

## Appendix 4: Interview questions

There were five different sets of questions: a general framework for top officials, a general framework for ministers and three modified sets of questions to officials in the Prime Minister's Office and in the Ministry of Finance. Below are the general frameworks, translated from the Finnish questions.

### The general framework for top officials

#### General issues about the role of ministers and strategy work

1. Please describe the role of the minister as the leader of the ministry and of the administrative sector (tasks, officials' expectations).
2. From an official's view, how is it apparent that the minister has another role, namely, being a member of the Cabinet?
3. When did the need for strategic management emerge in the state administration (as a discourse)?
4. How would you define strategic management at the level of government (*valtioneuvosto*), including the Cabinet and the ministries?
5. In your opinion, what would be an appropriate role for a minister in the strategy work? (in the interview situation, the question was specified to include substance strategies and strategic plans of the ministry, not strategies for the development in the ministry itself, e.g., communication strategy, human resource strategy)
6. What has been the role of ministers in the strategy work of the ministry?

#### The changing of ministries and ministers

7. Has the decentralisation of authority from ministries to agencies in the 1980s and 1990s made it more difficult for a minister to have an effect in his sector? What reforms do you consider significant from the point of view of a minister's tasks or position?
8. One of the aims of administrative reform has been to transfer operative authority from ministries and to develop ministries into strategically-oriented actors. Has this aim been realised? Have ministers taken responsibility for their strategic role?

9. Please estimate what kind of an effect EU-membership has had on minister's tasks and time resources.

### **The strategic tools**

10. What kind of role does the Government Programme have from the point of view of strategy work?

11. In what ways has the connection between budget frames and the Government Strategy Portfolio been coordinated in your ministry?

12. In what ways has the minister been involved in the preparation of budget frames?

13. Who have been the representatives of the ministry in the budget frame negotiations between your ministry and the Ministry of Finance?

14. Do you consider your sector to have any characteristics that complicate the budget frame procedure?

15. Has the Cabinet or a smaller group of ministers prepared budget frames before the actual government decision on budget frames? In what forums? Do you consider the collective preparation adequate?

16. Do you think that reforming the budget process (financing of horizontal programmes) will adequately improve the handling of the substance of policies?

17. Has the minister participated actively in defining the content of the Government Strategy Portfolio? What has been the role of the whole Cabinet in defining the content of the whole Portfolio?

18. Has the minister been actively involved in monitoring the strategic projects defined in the Portfolio?

19. What has been the role of ministerial committees and working groups in the strategy work?

20. What do you think about the guidelines suggested in the Central Government Reform project (*keskushallintohanke*) with regard to strategic tools (these were specified); are they necessary or at least formulated in the right direction? Are there other things that would help ministers to act as strategic leaders?

## **The general framework for ministers**

### **General issues in the work of ministers**

1. When you first became a minister, did you feel yourself primarily as a) a generalist and representative of the party or b) specialist? Did your identification with the ministry and its substance increase during your period in office?
2. What do you consider the most important tasks of a minister to be? What kinds of skills are needed to do these tasks?
3. Are you able to estimate, how your time resources were allocated between a) working in the ministry, b) working in the Cabinet and its committees, c) and other political tasks?

### **Strategy work in the administrative sector**

4. How would you characterise your sector: did it offer you opportunities for strategic steering or was it more about operative decision-making? In what ways was strategic steering conducted?
5. In your opinion, what kinds of issues in the Government Programme were the most effective in steering the administration; what kinds of issues were least effective? (specific examples were requested)
6. When you became a minister, did you have reform goals? Were they attached to the Government Programme or were they on your own agenda?
7. Did you manage to follow through with the reforms? What things had an effect on the success (or failure)?
8. In what ways did you participate in the strategy work relating to your sector's substance? (examples requested)
9. Would you have participated more if you had had more time available?
10. How did the media and the interest groups affect strategy work?
11. Can you tell how large a part of the strategic issues addressed EU-related concerns?
12. In what ways did you participate in the preparation of budget frames before negotiating with the Ministry of Finance and before the Cabinet's frame negotiation?

13. The Government Strategy Portfolio has been widely criticised and there are plans to give up on it. What was its importance from the point of view of a minister?

### **The strategic approach of the Cabinet**

14. Was there discussion in the Cabinet about important issues from the point of view of the entire government policy or about the so-called strategic issues? What were the discussion forums?

15. How did these issues arise for discussion and what kinds of preparation preceded them?

16. Were you content with the discussions in the Cabinet? (the question was soon expanded to include 'with the quantity and quality of the discussions')

17. In your experience, what was the role or the function of the statutory Cabinet committees?

18. In your experience, what was the role or the function of the ministerial working groups?

19. Was the Prime Minister's role primarily with managing the entire government policy or with taking care of specific issues?

20. What was the importance of the Government Strategy Portfolio from the point of view of the whole Cabinet?

21. In what ways did the Cabinet prepare its decision on budget frames? Was there discussion about setting priorities and defining policy lines?

### **The improvement of the strategy work**

22. Do you believe that the Programme Management that has been planned in the Central Government Reform project (*keskushallintohanke*) will be a workable method for improving the Cabinet's strategic approach? Is it even possible to reconcile politics with strategic management?

23. Do you know how these programmes are being prepared for future Cabinet and how they are selected?

24. In what ways should the strategy work be reformed?