

From a political will to action - Challenges in managing central government activities

Gert Paulsson

Lund University

School of Economics and Management

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Contact information:

Gert Paulsson

Department of Business Administration

School of Economics and Management

Lund University

E-mail: gert.paulsson@fek.lu.se

Phone: +46 46 2229850

WORK IN PROGRESS

FIRST DRAFT

INTRODUCTION

The overall purpose of management in public organizations is to implement the policy that is formulated by the politicians. Despite of that, studies show that this is not always accomplished in practice (see e.g., Nutt, 1999, Göransson, 2007, May and Winter, 2007), and that failures occur during the *implementation* phase rather than during the *formulation* phase (O'Toole, 2000, Schofield, 2001, Hickson, et. al., 2003). Several studies also show that the problems are especially large at the local level where front-line managers are responsible for implementing policy (Meyers et. al., 1998, Riccucci, et. al., 2004). According to O'Toole (2000) the implementation problem is very present in the daily life of practitioners in many public organizations. In spite of this, there has been relatively few studies focusing on the implementation phase, compared to studies focusing on the policy formulation phase (see e.g., Hickson, et. al., 2003)

During the last decades there has been a global development in public management that is often labeled New Public management (NPM). That development is often presented as a set of management tools and techniques that are adopted from private sector organizations and that are expected to contribute to successful policy implementation (Moll and Humphrey, 2007). Hood (1995) identifies seven main dimensions of NPM: unbundling of the public sector into corporatized units; contract based competitive provision with internal markets; private sector styles of management; stress on discipline in resource use; emphasize on hands on top-management; performance measurement; and emphasize on outputs. Other scholars, e.g., Olson, et. al., (1998), Pollitt, (2000), and Lapsley, (2008) have presented similar descriptions of the reform movement. Furthermore, it is sometimes argued that NPM is an attempt to “decouple policy and operations” and create an arms length relationship between politicians and managers (Broadbent, 1997).

The purpose of this paper is to explore key challenges in policy implementation in public sector organizations in which there is an attempt to decouple policy formulation and implementation by introduction of NPM tools and techniques.

The central government in Sweden is considered to be an early adopter of NPM with an explicit ambition to decouple policy formulation and implementation. The empirical study was carried out in one of the largest and most important agencies in that sector, the Social Insurance Agency, SIA (*Försäkringskassan*). That agency is responsible for the administration of a large part of the social insurance, e.g., health insurance and family allowances. Thus, the activities in the SIA are to a large extent regulated and dependent on the decisions in the Parliament and the ministries about the social insurance.

The study was undertaken at a time period when a lot of changes were made in the social insurance in Sweden, especially the health insurance. Several studies show that some of the objectives with these reforms have been reached, while others have not (see e.g Riksrevisionen (2010 a and b), Statskontoret (2008 and 2010) and Inspektionen för Socialförsäkringen (2010). In this paper references are made to these studies, though it is

genuinely difficult to related the success or failure in policy implementation to the tools and techniques used in governance and management of an organization (see Hickson et. al. 2003).

The empirical study consists of a document study that was based upon free access to the SIA intranet where all steering documents are published, interviews with 35 persons - 15 managers, 10 controllers and 5 social security officers in the SIA, the former Director General, the chairman of the board, two senior advisers in the Ministry of Finance and one manager in the Ministry of Social Affairs. In addition to that data was gathered by participation in two planning and follow-up meetings at different organizational levels of the agency, and in one meeting where a new work process was launched.

It is possible to approach the topic of policy implementation in different ways. Göransson (2007) distinguish between prescriptive and descriptive frames of references. The former are normative and gives advice about what tools that ought to be used. Choice of organization structure, use of budgets and performance measures are examples of such tools. Text books in strategy implementation, e.g., Grant (1993), Thompson and Strickland (1992), and Johnson and Scholes (1999) provide examples of normative frames of references. As do text books in management accounting and control, e.g., Anthony and Govindarajan (2009) and Merchant and Van de Stede (2007). However, this literature is mainly based upon conditions that are at hand in the private sector. Thus, the presence of politicians and political decision making in public sector organizations is considered to be nothing but aggravating circumstances that has to be taken care of in one way or the other. Schofield (2001) argues that “many of the contemporary studies of implementation are expressed as occasions of change in the public sector. As such, they are framed in managerialist terms, adopting explanatory theories of strategic change from the for-profit sector and in so doing, ignoring the special political nature of public sector management” (p. 257).

The more descriptive frames of reference take care of this problem by focusing on e.g., the way in which policy is actually implemented, possible failures in the implementation process, and the role of professionals, lower level managers, and other stakeholders in the implementation process. By focusing on these issues, the descriptive frames of reference provide a deeper understanding of the challenges inherent in policy implementation. This approach is often found in the policy implementation literature in political science, public management or the like (see e.g. Schofield, 2001, and Hill, 2007).

Schofield (2001) argues that there is a tendency for polarization between the management research branch, and the political science and public management branch of research, and that this has fostered a strict distinction between politics and administration in research. Furthermore, she argues that policy implementation studies have been dominated by political scientists and that this has led to a situation where the issue of how “organizational aspects, rather than political aspects of public service organizations impact upon the implementation of policy” has been neglected (p. 259). Altogether, there are strong arguments for cross over studies between disciplines and, thus, combine the prescriptive and descriptive approaches to policy implementation.

THE SOCIAL INSURANCE AGENCY (SIA) – GOVERNANCE, ORGANIZATION AND MANAGEMENT

Governance

Central government agencies in Sweden are traditionally relatively independent from the government in their daily operations. The governance mechanisms used by the government are general for all agencies, though there are variations in their application depending on, e.g., the size and importance of the agency. Furthermore, the governance of large and important agencies like the SIA involves a lot of informal contacts on various matters.

One of the key governance mechanisms used by the government is the *appointment of a Director General* for the agency. That is the only appointment in the agency that the government decides upon. It is a generally held opinion among the interviewees that this is an important decision that may affect the work in the agency to a very large extent.

The *Instruction* is another key governance mechanism. In that document the overall purpose of the SIA is stated¹:

“The Social Insurance Agency is a central government agency responsible for those parts of the social insurance and other allowances that according to laws and ordinances should be administered by the agency. The activities in the agency consist of decision making and payment of these allowances.” (Förordning 2009:1174)

In addition to this overall purpose, the Instruction specifies some activities that should be carried out by the agency, e.g., provide information to the public about the social insurance, work against cheating, and follow, analyze and provide information about the development and effects of the social insurance in the society. Furthermore, the Instruction says that the agency management decides about the internal organization.

While the instruction has no time limit, the second important governance mechanism - the *Approval letter* – is decided by the government one year at a time. That document provides information about the objectives of the agency for the up-coming years, and the resources available. The Approval letter also specifies what performance measures that should be used for reporting against the objectives. For example, the 2010 Approval letter for the SIA, includes the following information:

“The Social Insurance Agency should strive for an efficient sickness benefit process that includes early activities in order to avoid long term sickness leaves, and facilitate for persons with long term sickness leaves to get back to work.

Reporting

The Social Insurance Agency should report the fulfillment of objectives”
(Socialdepartementet, 2009)

¹ Quotations from formal documents like the Instruction are translated to English by the author.

When it comes to organizational issues, there are some overall requirements concerning the relationship between the SIA and the citizens.

“The Social Insurance Agency should report the work on improving its reputation among the citizens. The agency should also report its work on improving customer satisfaction and, furthermore, decrease the difference in customer satisfaction between different groups of citizens.”
(Socialdepartementet, 2009)²

The financial section of the Approval letter contains information about the appropriations for the up-coming budget year. In the case of the SIA that section contains one appropriation for agency administration and several appropriations for different types of allowances.

In addition to the forward-looking Instruction and Approval letter, different types of *follow-up reports* and *forecasts* are important governance mechanisms. The monthly reports that are sent to the government contain financial figures that are compared to the appropriations. In addition to that the SIA provides the government with quarterly forecasts concerning the use of the appropriations. The semi-annual report, too, is entirely focused on financial figures. In addition to some statistical information that is sent to the government during the budget year, the Annual report is the only document that includes non-financial performance information, too. That information is usually directly related to the reporting requirements in the Approval letter.

In addition to the reports that are sent to the government by the SIA, several central government agencies are monitoring the agency's operations. Examples of such agencies are the National Audit Office (*Riksrevisionen*), The Swedish Social Insurance Inspectorate (*Inspektionen för socialförsäkringen*) and The Swedish Agency for Public Management (*Statskontoret*). According to several of the interviewees, the reports from these agencies are considered to be important, especially in the government.

Finally, *dialogues* between agency management and representatives of the government are an important governance mechanism. In the case of the SIA these dialogues are frequent and involve several managers in the SIA, and political and non-political officials in the Ministry of Social Affairs and the Ministry of Finance.

Organization structure

There have been two major organizational changes in the social insurance sector during the last years. The first change was made in 2005 when 21 regional social insurance agencies (*länskassor*) merged with the central social insurance agency (*Riksförsäkringsverket*). This change was decided by the Riksdag since the regional agencies were not central government agencies, but independent organizations with a formal link to regional authorities. The second major organizational change was made in 2008 when regional structure was abandoned within the SIA.

The new organization that was due January the 1st 2008 contains five main organizational units. Three of the units are labeled “customer oriented units” – Local Insurance Centres

² The use of the term “customer” is a conscious decision by the agency management (see below)

(LIC), National Insurance Centers (NIC) and Customer Call Center and Internet Support Center (CCCISC). The logic behind this structure is that as much as possible of the contacts with the citizens should take place via telephone and internet, i.e., in the CCCISC. Matters that can not be dealt with in that way should be taken care of by the NIC if they don't require personal contact with the individual citizen, and by the LIC if the matter requires such contact. An example of the latter is matters that are related to long term sickness. The NIC has 15 offices around Sweden, while the LIC has a regional structure with offices in most cities. Finally, CCCISC has 5 offices in different cities.

The two additional organizational units are Insurance Processes (IP) and Insurance Development (ID). The former unit is responsible for development of activity processes for all types of allowances. These processes are often highly specified, including every step that has to be taken for each allowance. The argument for the processes orientation is that all matters of a certain kind should be handled in the same way independent of where in the SIA they are handled. The IP is also responsible for monitoring the success of the activity processes, and for revising them if necessary. Finally, the ID stays in close contact with the government, comments on proposals for changes in the social insurance, and makes the SIA constantly informed about expected changes that may affect e.g., the activity processes within the agency. Since both the IP and the ID work on issues that concern all three customer oriented units, it can be argued that the SIA has a matrix structure (see below).

Planning and control processes

The internal planning and control processes start when information is available about the intention of the government when it comes to the social insurance administration. In practice this information is often received during informal dialogues since the Approval letter is decided by the government no earlier than December, and since the agency has to carry out its internal planning earlier in order to be able to make necessary changes in the activities.

The internal planning process includes allocation of resources through a budget process, and formulation of objectives and targets that are in line with the overall objectives and targets in the Approval letter. This process is centered on dialogues between managers at different levels of the agency. During these dialogues, earlier results as well as required changes in the activities are discussed. The end result of the process is a budget for all organization units in the SIA, except for the lowest level of the organization, and an activity plan containing non-financial objectives, performance measures and targets (see below). Furthermore, in many organizational units there are agreements between the local manager and the individual social security officer concerning, e.g., the number of a certain matter the employee should carry out each month.

The follow-up process takes place once in a month. At the local level these processes are focused on non-financial performance measures, especially the number of each matter that has been taken care of by each organizational unit and social security officer. At higher levels of the organization, the non-financial information is complemented with financial information and comparisons with budget figures. In the follow-up process, too, dialogues,

and meetings in management teams are frequent. The general opinion among the interviewees is that this is a key feature in the internal management of the SIA.

In addition to the management processes that take place between different organizational levels of the customer oriented units, there are also a lot of activities going on in order to secure the quality of the activity processes. The IP, together with the customer oriented units, form process teams that are responsible for development of new activity processes. When a process team has developed a new process or revised an existing process, they “hand over” the process to the organizational units in the customer oriented structure. Managers and specialists in these units are then responsible for implementation of the processes. They also take part in continuous coaching and monitoring of the social security officers who work with these processes, and provide the process teams with suggestions for further revisions. Monitoring often includes in-depth studies of a sample of matters that have been handled by the social security officers, as well as direct studies of how different social security officers handle certain matters.

Objectives, performance measures and targets

Balanced score cards and activity plans are important documents in the internal management of the SIA. The objectives, performance measures and targets in the Approval letter for the entire agency is an important starting point when corresponding information is chosen for the internal management. In addition to that, the agency management incorporates additional information that is considered to be in line with the overall norms and values in the agency, e.g., customer orientation, respect, leaving no room for doubt, and pleasure in one’s work, as well as with the vision, overall strategic objectives and strategies (Försäkringskassan, 2008 and 2010).

The overall balanced score card for the agency includes four perspectives – customer, operations, employees and finance - with 4-6 objectives per perspective. The score card is broken down to corresponding score cards for organizational units at all levels of the agency. In some units there is even an attempt to use score cards for individual social security officers. Below is an example of a balanced score card for an organizational unit dealing with the health insurance.

“Customer

- The customer satisfaction index should be 58 or more

Operations

- At the end of 2010, the average number of sickness days should be no more than 29.
- Process compliance should be made for all activity processes according to plan. The result from the first follow-up after the implementation of a new process should be above 85% and from continuous follow-ups above 95%

Employees

- The flexibility in manning the NIC should increase by a 10% increase in the number of employees that have critical competence in more than one area of the social insurance.

Finance

- The cost of the operations should stay within the budget frame.”

In addition to the objectives, performance measures and targets that are included in the balanced score cards there is a lot of focus on the volume of production. These measures often mirror the number of a certain kind of matter that each organizational unit and each social security officer should handle. Detailed targets are set, monthly follow-ups are made against the targets, and dialogues are held between the individual social security officers and the managers, as well as between managers at different levels of the organization.

IN SEARCH OF A FRAME OF REFERENCE

According to O'Toole (2000) policy implementation is "what develops between the establishment of an apparent intention on the part of government to do something, or to stop doing something, and the ultimate impact in the world of action." (p. 266). Several scholars (e.g., Göransson, 2007 and Schofield, 2001) argue that a lot of research is done on policy *formulation*, while less is done on policy *implementation*. However, O'Toole (2000) emphasize that it is important to bear in mind that the phenomenon may be dealt with under different headings than policy implementation and, thus, that the volume of research may be larger than we believe at the first sight. Furthermore, Göransson (ibid) argue that the "research front is not easy to ascertain. Among other things, the absence of accepted and shared definitions of essential terms regarding implementation is striking." (ibid, p. 28-29). In any case, researchers seem to agree that more research is needed in the area in order to fully understand the success and failure of policy implementation.

In this paper Göransson's (2007) distinction between prescriptive and descriptive approaches is used as an overall division of the frame of reference. In general, the *prescriptive approach* is more normative, and is to a large extent found in standard text books in strategic management and management control, while the *descriptive approach* is focused on a more in-depth understanding of the actual processes of policy implementation and what affects the success or failure of these processes.

The *prescriptive approach*, e.g., Thompson and Strickland (1992), Hatch (1997), Hill and Jones (1998) and Kotter and Cohen (2002), usually include management tools that concern the organization structure and management control of the operations. Their tool boxes vary to some degree, but there are several common features among them. In this chapter a few tools are selected that are common in this literature:

- Strategic leadership and organization culture
- Organization structure
- Resource allocation
- Performance measurement and rewards
- Administrative systems and policies

There are at least two things that are important to keep in mind when it comes to the tool boxes in the prescriptive literature. Firstly, design and use each individual tool must be made in a proper way. However, successful policy implementation requires the tools to fit and

support each other. This is sometimes called the control package approach to management control (Otley, 1980). Secondly, the prescriptive tradition stems to a large extent from the business administration and management literature on strategic management. Thus, it is based on the logics of private profit seeking organizations. Since government organizations have rather different conditions for management it is valuable to add perspectives that take into account the uniqueness of that kind of organizations (Mattisson, 2000). The descriptive studies that are referred to below serve that purpose in this paper.

The *descriptive approach* reflects upon the challenges of policy implementation, rather than prescribing what are the best measures to take. Thus, they are more focused on the complexity of implementation processes. This approach covers several themes:

- The implementation process
- The role of local bureaucrats
- The role of other stakeholders

In the following sections, policy implementation in the Social Insurance Agency in Sweden is discussed by using these two frames of reference. Each sections starts by a brief presentation of some of the key ideas in the theme. Thereafter, policy implementation in the SIA is discussed. By using both approaches it is possible to avoid the polarization between the management oriented and the political science oriented branches that is discussed by e.g., Schofield (2001).

POLICY IMPLEMENTATION IN THE SOCIAL INSURANCE AGENCY IN SWEDEN - THE PRESCRIPTIVE APPROACH

Strategic leadership and organization culture

Thompson and Strickland (1992) stress the importance of strategic leadership in the implementation phase, and argue that a diagnosis of the organization must be the starting point. They also underscore that there are several roles for the leader, and that these roles sometimes are conflicting. Examples of such roles are the entrepreneur, the chief administrator, the spokesperson and the resource allocator, and a leader must be able to change between these roles depending of the situation at hand.

The organization culture, too, is important in the implementation of policy since it affects the behavior of the employees (Thompson and Strickland, 1992). The prescriptive studies emphasize that the culture must support the strategy in order to be an important tool in the implementation process. However, the culture is hard to change in the short term and, thus, cultural change requires persistent strategic leadership in order to be successful.

The SIA has changed management teams twice since the merger of the 21 regional social insurance agencies and the central social insurance agency. When the merger was made in 2005 a new management team was appointed, with limited experiences from the agency. They immediately hired consultants to take active part in the up-coming organizational

changes. According to several interviewees, the new team also represented a more production oriented culture aiming at improving the efficiency in the operations and the uniformity of the handling of similar matters. They also tried to foster a more service oriented culture in the entire organization. The use of the concept “customer” was one important component in that attempt, and the introduction of three overall objectives for the activities – “Fast”, “Right” and “Simple” – was another component. Though this attempt to change the organization culture seem to be relatively accepted in the organization, several interviewees argue that it has also led to clashes with some managers who had been working in the agency for long. Thus, a few former members of the management team left the SIA during the first years after the merger. Furthermore, there was a lot of critique against the new management team for not knowing the operations, for being too invisible in the organization and for the top down approach to organizational change. The reactions of the employees have been discussed more thoroughly by Bringselius (2010).

The internal critique against the management team and the external critique against the agency for not being able to handle matters fast enough, led to the firing of the Director General in 2009. When he left the organization, so did some of the other members of his management team. The new Director General, and some members of her team were actually former members of the management that left the agency in 2005 and 2006 more or less as a protest against the way the agency was managed. This shows that leadership style is important, especially in a situation where there are external and internal changes going on.

According to interviewees in the government and central management of the SIA, the new culture that was gradually introduced to the organization in 2005 and 2006 may well be in line with the political will. Service orientation was, no doubt, considered important by the government, and the focus on Fast, Right and Simple, and the corresponding interest in the production process was well in line with the requirements on the agency in the Instruction and Approval letter. The problem was rather the way in which the changes were made, and the clash in culture between the old organization, and the new management team and their consultants.

This highlights the fact that it is not enough to identify a culture that supports the strategy. It is equally important to handle the change process in a good manner. This may be especially important in organizations in the government sector in Sweden. According to Pollitt and Bouckhart (2004) the public sector in Sweden is characterized by “intense corporatist discussions between the main interested parties prior to action” and “informal discussions” (p. 288-289). According to several interviewees, the change process in the SIA was very different from this.

Organization structure

The relationship between the organization structure and policy implementation is often discussed in the literature (see e.g., Thompson and Strickland, 1992, Hill and Jones, 1998, and Johnson and Scholes, 1999). For example, Hill and Jones (1998) argue that “after

formulating a company's strategy, management must make designing organizational structure its next priority, for strategy is implemented through organizational structure (p. 348).

In designing the organizational structure, Hill and Jones (*ibid*) argue that managers have to decide about vertical and horizontal integration. The former has to do with delegation of authority and responsibility to lower levels of the organization, and the principle of controllability is considered to be very important (see e.g., McWatters et. al., 2008). Horizontal integration, on the other hand has to do with how employees are divided in different organizational units and the logic behind this division. In practice, the choice about horizontal integration is the choice between the basic organizational forms mentioned in most text books, i.e., functional organization, divisional organization, and matrix organization (see e.g., Thompson and Strickland, 1992).

The vertical integration between the government and the SIA is based upon the traditional division of authority and responsibilities between the government and the central government agencies in Sweden. There is a long tradition of rather autonomous agencies, when it comes to the day to day decisions in different matters. On the other hand, the government has far reaching authority when it comes to e.g., the structure of the agency sector, and the appointment of Director Generals. In the case of the SIA we can clearly see that the government has exercised some of this power by e.g., replacing the Director General. On the other hand, the government has stated in the Instruction that agency management decides about the internal organization structure without involvement of the government. This also holds for the design and use of different types of management control tools. Altogether, from a formal point of view it seems like there is a relatively clear division of authority and responsibility between the government and the management of the SIA, following the tradition in the central government in Sweden.

The interviewees confirm the general impression that there has been a centralization of decision making authority within the SIA during the last years. This is in sharp contrast to the traditions in the central government in Sweden where far reaching delegation internally in the agencies has been a long tradition (see e.g., Pollitt and Bouckaert, 2004). In spite of this change in tradition, there is not a lot of general critique against this development among the interviewees, though there is a felt imbalance between authority and responsibility at some levels of the organization. According to several managers in the SIA, they have difficulties to handle their responsibilities, since they lack authority to make necessary decisions concerning e.g., hiring or firing employees and renting office space when the work load changes.

The horizontal integration in the SIA has led to a division of the operations in three so called customer oriented branches and one process oriented branch. The later is expected to optimize the activity processes no matter what customer oriented branch that is involved. This means that there is some kind of matrix structure in the SIA, though there is no agreement among the interviewees whether it is a formal matrix organization, or a line staff organization. This disagreement causes problems in the organization since it means that the role of Insurance Processes (IP) is contested. Several interviewees argue that this also means that the division of authority and responsibility between the customer oriented branches and

the IP is unclear, causing problems especially in situations when the processes should be revised.

The structure of the customer oriented branches is motivated by requirements for specialization in order to get efficient operations. The process oriented branch, on the other hand, is motivated by one of the key objectives of the SIA, that similar matters should be handled in the same way, independent of where they are handled. According to several interviewees this means that the vertical structure of the organization is focused on the volume of matters that are handled, while the horizontal structure is focused on the quality of the activity processes.

Resource allocation

In the prescriptive literature, resource allocation is considered to be an important tool in policy implementation (e.g., Thompson and Strickland, 1992, and Johnson and Scholes, 1999). A similar approach can be found in the management control literature, where implementation of the strategic plan is considered to be the main purpose of management control, in general, and budgeting, in particular (e.g., Anthony and Govindarajan, 2007, Nilsson et. al., 2011).

Furthermore, two interrelated issues are often stressed concerning resource allocation. Firstly, it is important to design a process for resource allocation that gives each unit the amount of resources they actually need in order to meet their objectives. This may seem self evident, but it is hard to accomplish in practice. Secondly, it is considered important to set budget targets at a level that is motivating for lower level managers and their employees.

Resource allocation from the government to the SIA takes place in negotiations in the yearly state budget procedure and the outcome of these negotiations is communicated to the agency in the Approval letter. According to the interviewees who take part in that process, there is an ongoing discussion about the amount of resources the SIA need in order to be able to meet its objectives. Due to large budget deficits in the SIA during the last years, the government has involved the Ministry of Finance more in the dialogue with the SIA, and has introduced tighter budgetary control, and required more frequent forecasts. In spite of these actions, several interviewees argue that it is virtually impossible to establish an “optimal” level of resources for an agency like the SIA.

Internally in the agency, the resource allocation to the customer oriented branches is to a large extent based upon the activity processes that are established. These processes are measured in minutes, which means that the forecast about the number of each matter that an organizational unit is going to carry out, automatically yields the total amount of time necessary. By multiplying the time and the salary of the employees in each organizational unit, the amount of needed money for a certain matter is calculated. The interviewees consider this process to be relatively fair, compared to alternative ways of allocating resources within the agency. However, several interviewees complain that the agency management has not allocated the full amount of resources that the units should get according to the calculation. Rather, they have made the calculation and then reduced the amount of

resources by a certain percentage. This is considered to be very unfair among lower level managers and social security officers, and it has caused a lot of irritation in the organization.

To sum up, it is hard to find the correct level of resources to allocate to the SIA. Internally in the agency the activity processes are used in order to allocate resources in a way that supports policy implementation, and this seem to be relatively accepted among both managers and social security officers.

Performance measurement and rewards

Based on the general idea that “you get what you measure” several prescriptive frames of reference recommend performance measures and rewards as tools for policy implementation. There are two basic questions inherent in this topic. What performance should be rewarded, and how should it be rewarded? Concerning the first question Thompson and Strickland (1992) and others argue that there has to be several measures at all levels of a large organization in order to capture the performance that is important for the success of policy implementation. Balanced score cards and other multidimensional measurement systems are usually mentioned in the prescriptive literature as possible tools in this area (see e.g., Nilsson, et. al, 2011).

Hill and Jones (1998) is one of the prescriptive text books that include a discussion about rewards as a tool for policy implementation. They first distinguish between individual and group rewards, and then discuss different types of rewards in each of the two groups. Their main idea is that the choice of rewards is dependent upon the type of organization we are dealing with, and what behavior that best contributes to policy implementation.

The balanced score cards and activity plans that are prepared for organizational units in the SIA, include several performance measures that are expected to mirror the degree to which policies are implemented in a successful way. Financial performance measures are import at the central level of the agency, while non-financial figures are more important at the lower levels of the organization. According to the interviewees the reason for this is that financial responsibility rests with managers at relatively high levels in the organization. At the lower levels several types of non-financial performance measures are present. However, the interviewees stress that production related measures like the number of matters that a certain organizational unit has handled, no doubt, are most important. Several interviewees argue that this means that “Fast” is more important than “Right” and “Simple”, and that this causes an imbalance in the management of the agency where the number of matters becomes more important than the quality of the work. However, several interviewees also report that the focus on “Fast” is becoming slightly less strong, starting when the new management team was appointed in 2009. There are also various kinds of management processes going on at the lower levels of the SIA in order to balance this tendency, e.g., monitoring the work of the social security officers.

The SAI, like other central government agencies, does not have any formal monetary reward systems like bonuses or stock option. However, the interviewees argue that there are other indirect, and individual, incentives like increased salary and career opportunities. Some argue

that employees who are “Fast” are still given more rewards of this kind than employees who are more quality-oriented.

Altogether, there is a diverse set of performance measures available in the SIA. Most interviewees argue that this set is relatively balanced in the sense that it includes measures of various kinds. However, several interviewees agree that there are relatively few measures that really captures how the “customers” view the service they get. Furthermore, there are indications that financially- and production-oriented measures are most important at the central level, while production oriented measures are most important at lower levels of the organization. Performance measures focusing on the quality of the work seem to be less important, in practice, perhaps since it is more difficult to measure the quality than the number of matters that are handled. Thus, it is confirmed that proper formal control tools are implemented, but that their use may cause problems from a policy implementation perspective.

Administrative systems and policies

The final management tools that will be discussed from the prescriptive approach are administrative systems and policies. Examples of such tools are routines for the activities in the organization (see e.g., Thompson and Strickland, 1992). The routines may be standard operating procedures (SOP) that all employees have to follow when dealing with a certain matter. Thompson and Strickland (1992) argue that the volume and specificity of such SOPs must be decided based upon a thorough analysis of the type of activities that are carried out in the organization.

The detailed activity processes in the SIA are examples of SOPs aimed at standardizing the handling of similar matters, so that “customers” with a certain diagnose get the same sickness allowance independent of which social security officer that is handling the matter. This is one of the key objectives behind the recent organizational reforms in the SIA, and it is related to the overall objective of improving security of life and property (*rättssäkerhet*). Thus, the SOPs may be a tool that contributes to policy implementation in this respect. This general expectation is also confirmed by the interviewees.

Another question concerns the specificity of the activity processes. In the SIA are relatively specified, which may lead to criticism from the employees who are going to follow the processes. However, interviews made at different levels of the agency do not reveal such critique. Rather, most employees argue that the processes are supportive in their daily work, and that they still have to use their professional discretion in handling most matters (see Bringselius, 2011), though there are some differences depending on the type of matter.

Altogether, the activity processes in the SIA seem to be well in line with major objectives in the policies, and seem to be accepted by most employees. The only strong critique that is presented concerning the activities is their practical *use* in resource allocation (see above).

POLICY IMPLEMENTATION IN THE SOCIAL INSURANCE AGENCY IN SWEDEN - THE DESCRIPTIVE APPROACH

One overall issue in descriptive studies on policy implementation is the inherent complexity in government organizations. Hill (2007) describes this complexity in the following way:

“The reality is, therefore, not a question of imperfect control but rather of action as a continuous process of interplay with an ever changing policy, a complex structure of reciprocal influence and an external environment that has to get involved in the implementation of the policy since government operations actually affect, and is designed to do so, and the actors in the implementation who by their nature are difficult to control.” (p. 191).

This complexity has various kinds of implications for policy implementation in government organization. For example Goggin, et. al. (1990) study communication between different organizational levels, and argue that success and failure of policy implementation has to do with the incentives and restrictions that are put on managers and employees at lower levels of the organization. Furthermore, Hill and Hupe (2003) argue that the number of organizational levels affect policy formulation and implementation. The more levels, the more governance and management is required. Below is a discussion about some, partly overlapping, themes in the descriptive approach to policy implementation.

The implementation process

The complexity in government organizations also affects the inner life of implementation processes (see e.g., Schofield, 2001). In the prescriptive literature it is taken for granted that there is a clear distinction between policy formulation and policy implementation, i.e., that there is a decoupling between policy and operations (Broadbent, 1997). Furthermore, it is assumed that implementation is a top down process.

In the descriptive approach this is not taken for granted. For example, it is argued that even if policies, from a formal standpoint, are formulated in the government, that process may well start at the lower levels of the agency organization (Schofield, 2001). Interviewees confirm that this may be the case e.g., when problems in the current health insurance policy are identified in the SIA, and information about these problems are handed over to government officials, formally or in the informal dialogues between the agency and the government. In cases like this, up-ward flow of information may well trigger a process of policy formulation.

Furthermore, at a first sight, the implementation of new policies in e.g., the health insurance is a top down process starting by new requirements on the SIA in the Approval letter as a consequence of the new policy. These requirements are then expected to cascade down the organization and finally affect the decisions made by the individual social security. However, both the study of the process teams and the interviews show that the process is far more complex than that, and the distinction between formulation and implementation is blurred. Thus, both managers and social security officers are influential in the final and detailed formulation of the policy. One reason for this is that the policy is not specified enough when it hits the lower levels of the organization and, thus, employees at that level has to take part in the final phase of policy formulation. Thus, the decoupling of policy and operations is not

clear cut in practice, though that is an important idea behind the division of authority and responsibility in many NPM-oriented governments, not the least the central government in Sweden with its semi-autonomous agencies.

Furthermore, there are many layers in a large organization like the SIA. Some interviewees argue that this means that the content of the Approval letter and the other requirements on the agency are re-interpreted at several levels of the organization, and that the final re-interpretation actually takes place in the relationship between front line managers, local level specialists and the social security officers who handle the matters (see e.g., Riccucci, Meyers, Lurie and Han, 2004)

The role of local bureaucrats

The role of professionals and local level bureaucrats, so called street level bureaucrats, is discussed a lot in the descriptive literature on policy implementation. Hupe and Hill (2007) argue that street level bureaucracy “stress on the relative autonomy of professionals”, and that this “has been seen either as posing a control problem to the ‘top’ or as a justification for more direct forms of accountability to the ‘street.’” (p. 279).

Hupe and Hill (2007) further elaborate on the nature of street level bureaucracy by presenting several statements that starts out from Lipsky’s (1980) classical work in the area; street level bureaucrats have discretion and are forced to use it; street level bureaucrats seek ways to manage their own work; street level bureaucrats see themselves as professionals; in their interaction with individual citizens in different roles, street level bureaucrats are public officials; and that street level bureaucrats do their work in a micro network or web of multiple vertical and horizontal relations.

According to May and Winter (2007) the literature suggests “four sets of influences on street-level bureaucratic actions in implementing policy” (s 454); “Signals from political and administrative superiors about the content and importance of the policy”, “the organizational implementation machinery” – “organizational, managerial, and administrative imperatives that shapes what happens at the operational level of service delivery”, “knowledge and attitudes of street-level bureaucrats concerning relevant tasks, their work situation, and clients”, and “contextual factors concerning workloads, client mix, and other external pressures.”

The SIA-case certainly touches upon issues that are dealt with in this literature. Firstly, several of the characteristics that are presented by Hupe and Hill (2007) is a good description of the characteristics of social security officers in the SIA. They certainly need discretion in their work, in spite of the highly specified standard operating procedures they face. They also consider themselves as professionals with special the skills and knowledge needed to handle a certain type of matter. They are, no doubt, “public officials” in their relationship with their the citizens. Etc

Secondly, we can see that the set of influences that is discussed by May and Winter (2007) are relevant as a basis for discussing the policy implementation process in the SIA. For

example, the signals from the government concerning new or revised policies leaves room for interpretation among the local level employees in the SIA. As mentioned earlier in this section new and revised policies often require further development and interpretation in order to be used in the practical handling of matters that are affected by the policy. This work is done by specialist in the Process Development unit and by the social security officers at the local levels of the customer oriented branches, and these groups of employees, together with the procedures to develop standard operating procedures are part of the “organizational implementation machinery”.

Furthermore, the interviews show that the work load also shapes the ways in which new or revised policies are actually implemented. Since the process of policy formulation and implementation is complex and intertwined, this also means that the final formulation of the policy may differ between different local level units in the customer oriented branches in a way that is not intended. For examples, studies by the National Audit Office (Riksrevisionsverket, 2010) and the Swedish Social Insurance Inspectorate (2011) show that though there are signs of increased uniformity in the application of some parts of the health insurance, there are still relatively large differences between geographic areas in the handling of these matters. That is exactly what the government wanted to avoid by changing the rules and the overall organization structure of the social insurance sector in 2005.

Altogether, the empirical study confirms that the street-level bureaucrats in the SIA participate in both policy formulation and implementation, and based on their professional skills they have a certain amount of discretion in their work. Furthermore, the governance and management tools used in the agency are not strong enough to fully implement key changes in the handling of e.g., the health insurance.

The role of other stakeholders

The descriptive approach to policy implementation also include a “multi-actor-approach” that recognize a broader range of stakeholders than the government and the employees in the agencies (e.g., O’Toole, 2000). According to this approach multiple stakeholders may affect both policy formulation and policy implementation in various ways. According to O’Toole (ibid.) this is an argument for not viewing formulation and implementation processes as either top-down or bottom-up, but rather as processes that takes place in a network structure where different stakeholders influence the processes in different ways and at different stages of the process.

If we look at the SIA from the point of view of the multi-actor-approach the implementation of the revised rules in the health insurance is an interesting case. Since that part of the social insurance affects many citizens, there is a lot of debate in media, especially when the revisions lead to more restrictive rules. It is reasonable to assume that the debate in media, and the highlighting of people who have been treated in a way that seem “unfair”, in practice, has affected the outcome of the complex process of policy formulation and policy implementation. This is also confirmed by several interviewees.

Though it is hard to verify the exact effect of media and the general public in the formulation and implementation of revised policies in the health insurance, it is reasonable to assume that such an effect exists. This assumption is also supported by the fact that the most recent critique has triggered an investigation in the government about the need for changes in the health insurance. Such changes are expected to come within the next months.

DISCUSSION

Schofield (2001) argues that the polarization between the management research branch, and the political science branch has led to a strict distinction between politics and operations. Based on this general idea she argues for cross over studies between the two disciplines. This paper attempts to contribute to such a development by using two approaches to policy implementation – the prescriptive and the descriptive – as frames of references for a discussion about policy implementation in a central government agency in Sweden.

By using the prescriptive approach as a frame of reference we can learn about possible problems in the organization and management control system from a rather normative and formal point of view. By complementing that approach with a descriptive approach we get a more in-depth understanding of the actual complexities in implementing policies.

An important contextual factor is the early adoption of New Public Management (NPM) tools and techniques in the central government in Sweden including attempts to make a clear distinction between the policy formulation that takes place in the government, and the policy implementation that takes place in the agencies. As a consequence of this attempt, it is often argued that central government agencies in Sweden are semi-autonomous (Mattisson, et. al. (2003). Thus, there is a deliberate attempt to decouple policy and operations (see Broadbent, 1997).

The *prescriptive approach* tells us something about how the formal management tools may contribute to policy implementation and, thus, what possible strengths and weaknesses they may have in that respect. In the SIA-case the design of some of the tools seem to be directly related to the implementation of the new policy in the area of health insurance. For example, the development and implementation of specified work processes seem to be reasonable since one aim of the policy was to give equal treatment to all citizens, and allocation of resources based on the volume of matters that are handled seem to be relevant since customer satisfaction has proven to be directly related to the time it takes to get a decision on a certain matter. Altogether, there are signs that the design of some of the management tools may be related to a positive effect on policy implementation in the health insurance area.

On the other hand, there are indications of weaknesses in the design of management tools from the point of view of policy implementation. Firstly, some of the tools do not support each other in the way that is suggested in the control package approach (Otley, 1980). For example some of the overall objectives seem to be conflicting. That is e.g., true for “fast” and

“right”. Furthermore, allocation of financial responsibility is not supported by the allocation of authority in the organization, leading to problems with the principle of controllability.

Secondly, though the design of some of the tools seems to support implementation of the policy in the health insurance, there seem to be weaknesses in the actual *use* of the tools. For example the model for resource allocation within the SIA is accepted by most interviewees, but the application of the model is heavily criticized. The same is true for the performance measures that are included in balanced score cards and activity plans. A balanced use of the objectives “fast” and “right” may handle the possible conflict between them. However, if “fast” is considered more important, and if that objective in practice gives more rewards than “right” there is an imbalance that may threaten successful implementation of the policy.

Thirdly, the discussion about whether the SIA is a matrix organization or a line-staff organization obviously causes problems, since it blurs the responsibility for revising the activity processes that are key components in policy implementation. Thus, it is important from the prescriptive perspective that there is a shared meaning about the design and use of the tools in the control package.

To sum up; though it is hard to relate a certain management tool to the success or failure of policy implementation (Hickson et. al. 2003) discussions based upon the prescriptive approach gives some hint about how the formal management tools can be expected to contribute to policy implementation. Thus, it is a useful approach when we try to explore the challenges inherent in that process.

However, as we can conclude from the discussion above, the prescriptive approach is private sector oriented and rather managerialistic. Therefore, the complexity inherent in political organizations and the consequences of this complexity on policy implementation is neglected. The *descriptive approach* helps us to gain an increased understanding of these issues.

Firstly it is important to emphasize that the conditions for policy implementation are different in different parts of government organizations. In the relationship between the government and the agency, politics is very present, while this is not the case at the lower levels of the SIA. One implication of this is that the allocation of resources to the entire agency is based upon negotiations, both inside the government offices and between the government and the agency management. The empirical study shows that these negotiations often are complex, and that the outcome of the negotiations always leaves room for discussions about whether or not the agency gets a reasonable amount of resources given the objectives it is expected to meet. Though it would be possible to give the SIA some kind of performance based budgets, that would probably not be in line with the politicians need for discretion. On the other hand, inside the agency the resource allocation is to a very large extent based upon the volume of matters that are handled, and that is considered to be a relatively good model for resource allocation. Thus, the different conditions for policy implementation means that different budget processes are used and, in general, it seems like budgets that are decided by the politicians in the government are less formula based and transparent than the budgets that are decided by managers in the agencies.

Secondly, the descriptions that are made of the relationship between the government and the agencies in the Central Government in Sweden (e.g., Mattisson, 2003) indicate that policy formulation is an activity that is carried out by the politicians in the government, while policy implementation is the task of the managers and the social security officers in the agencies. This study clearly shows that this is not the case. Thus, the idea of a clear decoupling of politics and operations that is a key component in New Public Management (Broadbent, 1997), in general, and in the Central Government in Sweden, in particular, seems to be too simplified. Rather street level bureaucrats seem to have a lot of involvement in the actual process of policy formulation. There are clear indications that the street level bureaucrats participate in that process at all stages. They may even trigger the process by communicating problems in the current policy to the government. When the government then starts the process of formulating a new policy, representatives from the street level bureaucrats are often engaged in a dialogue with the government. Finally, when the policy is formally going to be implemented it is often not specific enough as a basis for handling of specific matters. Therefore, street level bureaucrats have to interpret the policy and choose its final content. Altogether, these findings are well in line with Hills' (2007) discussion about complex and reciprocal influences between politicians, managers and employees in government organizations.

Furthermore, in order to understand the complex processes of policy formulation and implementation it is useful to study not only politicians and employees in the central government agencies, but a broader set of stakeholders (see O'Toole, 2000). In the case of policy implementation in the area of health policy in Sweden, it is obvious that there has been a lot of media coverage, and it is reasonable to assume that this coverage has affected the development in the area, not the least the ongoing review of the entire system that has recently been launched by the Minister of Social Affairs.

Altogether, the study shows that by using the prescriptive approach, we can unravel some possible problems in the formal management of policy implementation, but by adding the descriptive approach we get a more in depth understanding of the complexity and interrelationship between policy formulation and implementation in government organizations.

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