

Experimentation as a strategic tool for governments

Demos Helsinki

Mikko Annala

Head of Governance Innovation

mikko.annala@demoshelsinki.fi

+358 40 778 6062

Story of Demos Helsinki

In 2005 we realised that nobody is looking at what megatrends actually mean when they hit our everyday life and business. We founded a hybrid think tank and consultancy to do precisely that – to bridge the gap between understanding the future and making it happen.

In 10 years we have grown into an innovation, research and business acceleration powerhouse. We employ 40 people, and have successfully served hundreds of companies, governments, universities and NGOs globally in creating a better future for themselves and the society.

www.demoshelsinki.fi





UNITED ARAB EMIRATES
PRIME MINISTER OFFICE



*Empowered lives.
Resilient nations.*



PRIME MINISTER'S OFFICE
FINLAND

অসম চৰকাৰ



স্বৰ্গমেব জয়তে
GOVERNMENT OF ASSAM



Queensland
Government



Prime Minister of Latvia
and Cabinet of Ministers



DEMOS
HELSINKI

What is experimentation? 6 do's and don't's

Dos

- ★ I am continuously learning how well my ideas work
- ★ If my experiment succeeds, it helps the realisation of a broader objective
- ★ Experimenters do not know, what will be the outcomes of the experiment
- ★ My experiment has a clear beginning and an end
- ★ My experiment is limited in scope
- ★ I can clearly tell how well my idea works because of reliable evaluations

Don'ts

- I start to call my idea or policy an experiment after it has failed
- My experiment is so innovative that it is almost detached from the reality
- Our team knows for sure what is going to happen. Actually, we already described the results in the project plan
- My experiment lasts forever
- I experiment in the whole country straight away
- If my plans don't work out, I get in trouble. That is why I hide my failures, often from myself too.

5 BENEFITS FROM EXPERIMENTATION

Benefit 1: Increases trust

Experimentation can be a great vehicle for collaboration. When participants are treated as builders of an experiment, not as recipients, it can increase trust. Service, product or policy also usually becomes better, if it is co-created with those who are meant to use it.

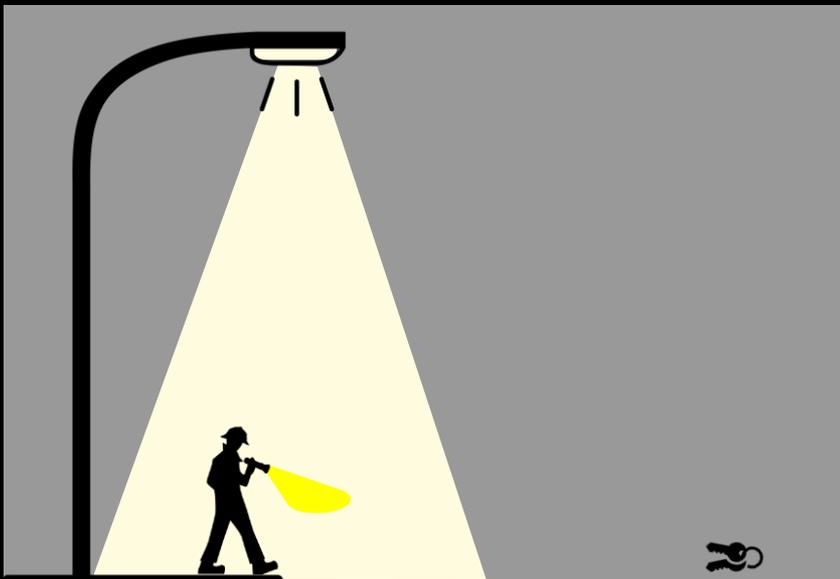


Benefit 2: Reduces risks

Experimentation reduces risks, because it helps one to identify weaknesses at early phases of development. Right kind of experimentation starts from very small tests. This is a very cost effective way to develop not only innovations, but also society and policies.



Benefit 3: Helps one to explore the sphere of non-obvious



Often most obvious solutions are not the most optimal solutions. However, both organisations and people are prone to look into obvious directions.

Experimentation can help governments and organisations to think creatively. With systematic experimentation there is no fear of failure and risks are smaller.

Benefit 4: Shows what works, what does not



Experiments can produce reliable evidence regarding feasibility of a policy. In other words, an experiment shows how well a policy, idea, service or product works. Gathering reliable evidence usually requires more resources and time. However, showing robust evidence can be very important and useful.

Benefit 5: Helps in staying on the right track

Experimentation helps organisations and leaders to acquire continuous feedback and steer their operations better. The most innovative businesses are finding ways to experiment quickly and cheaply, knowing full well that most tests will be duds. For example the CEO of Amazon, Jeff Bezos, has said: “Our success at Amazon is a function of how many experiments we do per year, per month, per week, per day.”er day.”



Talk with your neighbor:

Have you ever done an experiment?

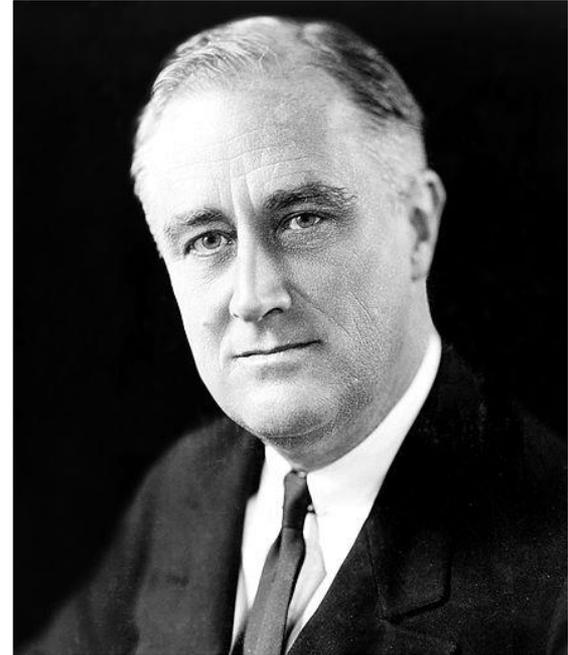


Why experimentation is gaining ground in governments around the world?

Public sector experimentation: old news?

“The country needs and, unless I mistake its temper, the country demands bold, persistent **experimentation**. It is common sense to take a method and try it: If it fails, admit it frankly and try another. But above all, try something.”

– Franklin D. Roosevelt, 1931



A new global wave of experimentation is emerging



Some methods have brought tangible results

Behavioural insights could cut millions in fraud and error, suggests new report

The British Behavioural Insights Team has

- improved tax collection
- stemmed student dropout rates and
- moved more people off benefits and into work

— all by harnessing the power of behavioral psychology and experimental methods.

The “nudge unit” identified savings of at least £300m over a five-year period.

theguardian



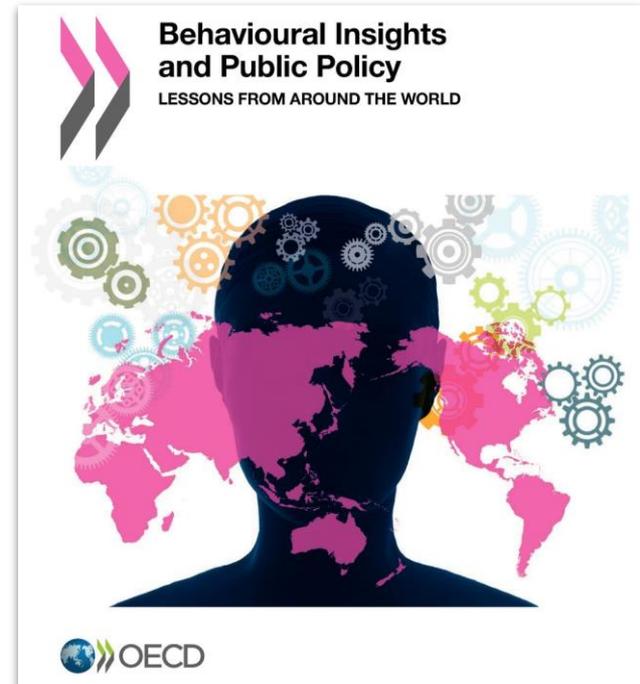
OECD: Experimentation has not reached its full potential

“Behavioural insights are still mostly applied to the areas where they were first introduced, namely consumer protection and choice in diverse areas. There is great potential for applying behavioral insights more broadly.”

- **OECD, 2017**

Same goes with experimentation in general:

It has proven to be a useful tool for enforcing service delivery and implementation. But rarely has it gone beyond that.



From puzzles...

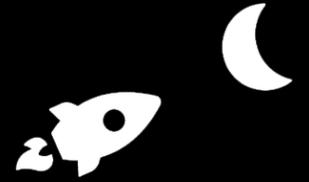


...Into paintings!



Without experimentation:

1. Potential, but too risky, radical or just different initiatives are left unexplored
2. Failing policies and services live too long
3. A lot of time is spent for planning for perfect future solutions – which will never happen



With experimentation:

- 1. The Government is able to initiate moonshot policy initiatives** which are potentially good for the people, but too risky to fail.
- 2. The Government is able to proceed with policy objectives which are stuck.** This is enabled by engaging relevant stakeholders in the planning of policy experiments.

How did experimentation
find its way into the core of
policymaking?



The Case of Finland



There was high-level support for “fixing the engine”: OHRA project (2014-15)

“The government needs a strategic process consistently drawing upon facts and figures to secure resources and momentum for achieving real change”

- Government gives strategic goals, detailed action plans are done more collaboratively
- Systematic mid and end reviews to monitor progress
- Consolidating the factual basis for support and capacity for action

Sat, 10 Jan, 2015 03:01:42 AM

OHRA proposes new govt policy approach

FTimes Report, Jan 10



The final report of the OHRA Project was handed over to Prime Minister Alexander Stubb by State Secretary Olli-Pekka Heinonen of the Prime Minister's Office and State Secretary Martti Hetemäki of the Ministry of Finance on Friday. Photo Lehtikuva.

The government consistently draw secure resources a change.

The government's major issues that would focus on, sa joint project OHR, Finance and the P the potential of di framework.

A key proposal d project is a new ty pursued by the go Communications Di

Released on Frida Project was han Alexander Stubb Heinonen of the P Secretary Martti He

Prime Minister's Office in 2015: Could experimentation respond to the

1. Can experimental methods, design thinking, and behavioural insights be utilized in Finnish policy making?
1. If so, what is the best way to incorporate them in the policy design process at the highest level of Finnish policy making?

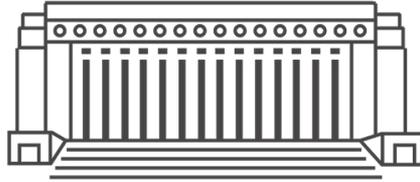


... how the Finnish Model was (co-)created

- Demos Helsinki and its partner Aalto University won a tender
- Desktop study to review the best practices in the world
- Co-creation process with a broad group of Finnish civil servants: 10 workshops for drafting versions of the model
- Interview round with politicians and experts to validate functionality and validity of the model



Core Motives for Public Sector



“ Finnish governance is under pressure, so tools of governing must be developed to become even more efficient and targeted. ”

Need for trust, wellbeing and equality

Scarce resources

Wicked problems

Digitalisation

KEY PROJECT 4: A CULTURE OF EXPERIMENTATION WILL BE INTRODUCED

Minister of Local Government and Public Reforms Anu Vehviläinen

The government has committed to execute 27 strategic-level experiments during 2015-19. For example:

- Digitalisation of municipal services
- Transforming traffic through digitalisation
- Integrating arts to social and health services

[News](#) > [Business](#) > [Business News](#)

Finland tests giving every citizen a universal basic income

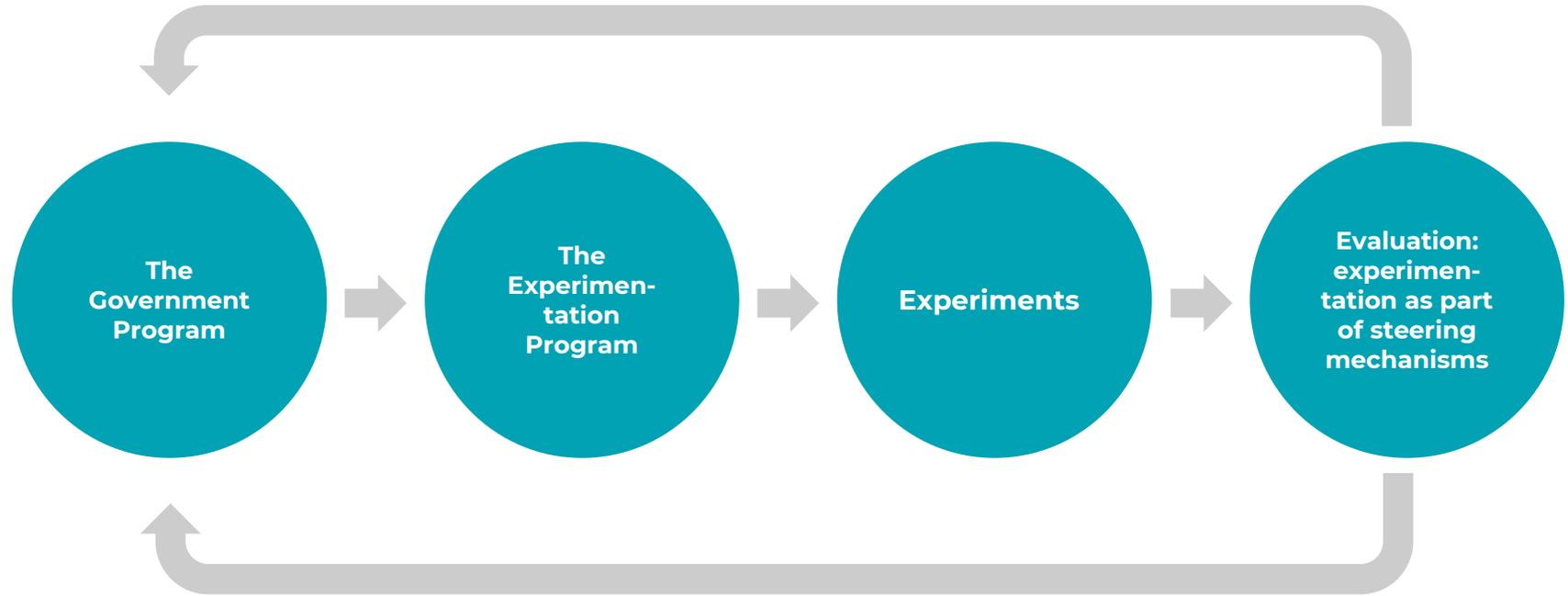
Experiment to start in 2017 and include 2,000 randomly selected welfare recipients of free government money

Raine Tiessalo | Friday 26 August 2016 | [80](#) comments

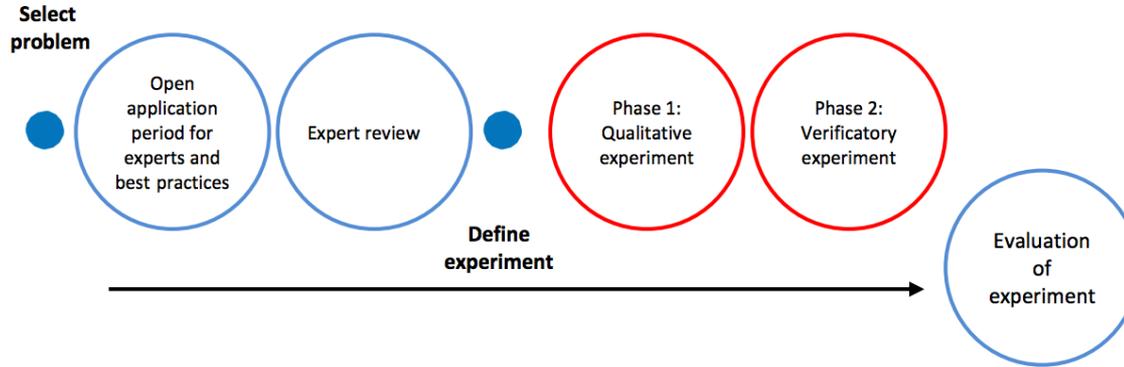


Finland is one of the first to test the system Getty

The Case of Finland: Linking Experimentation to the Government Program



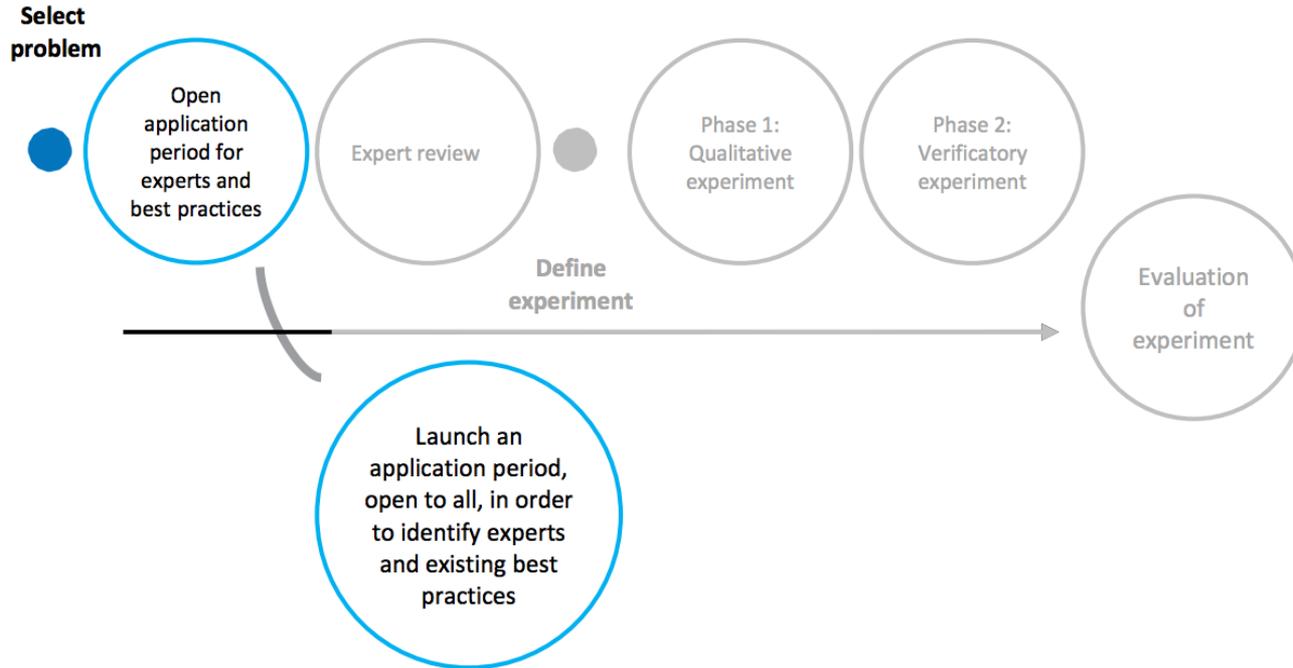
Summary of The Finnish Model: Co-Design of Policy



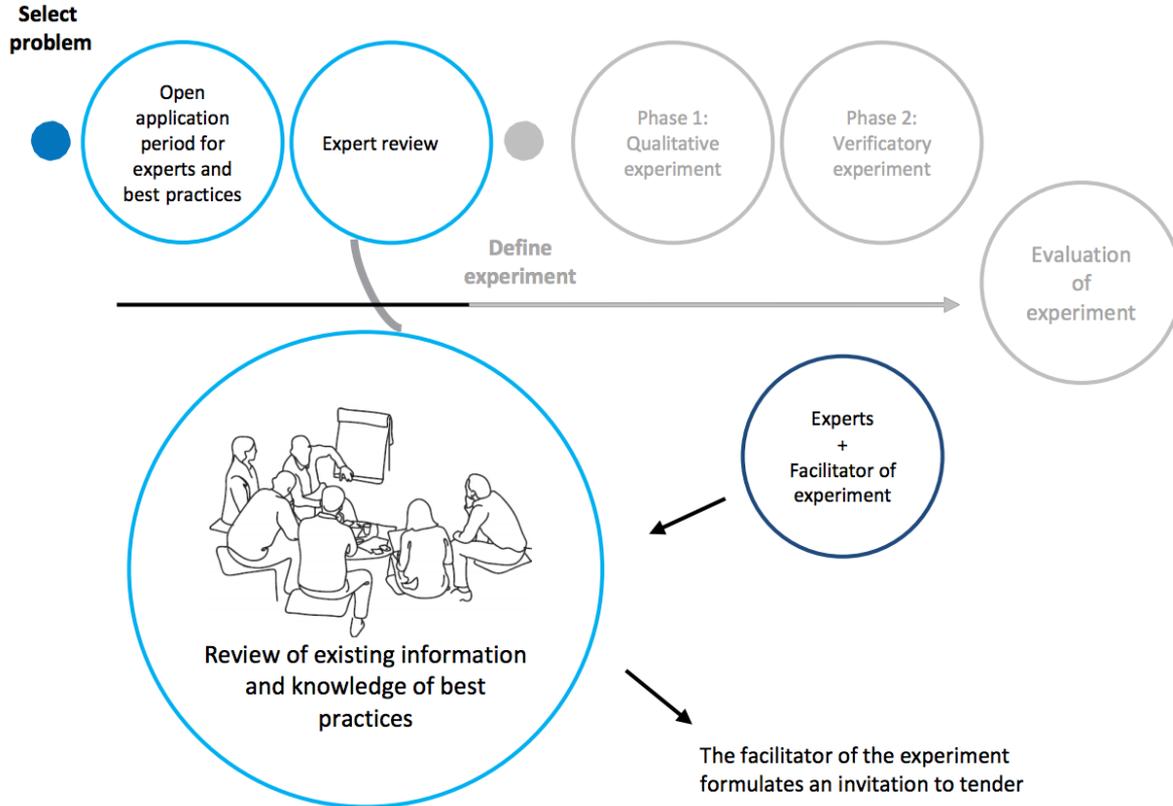
Graph 1. Brief description of the experimentation process



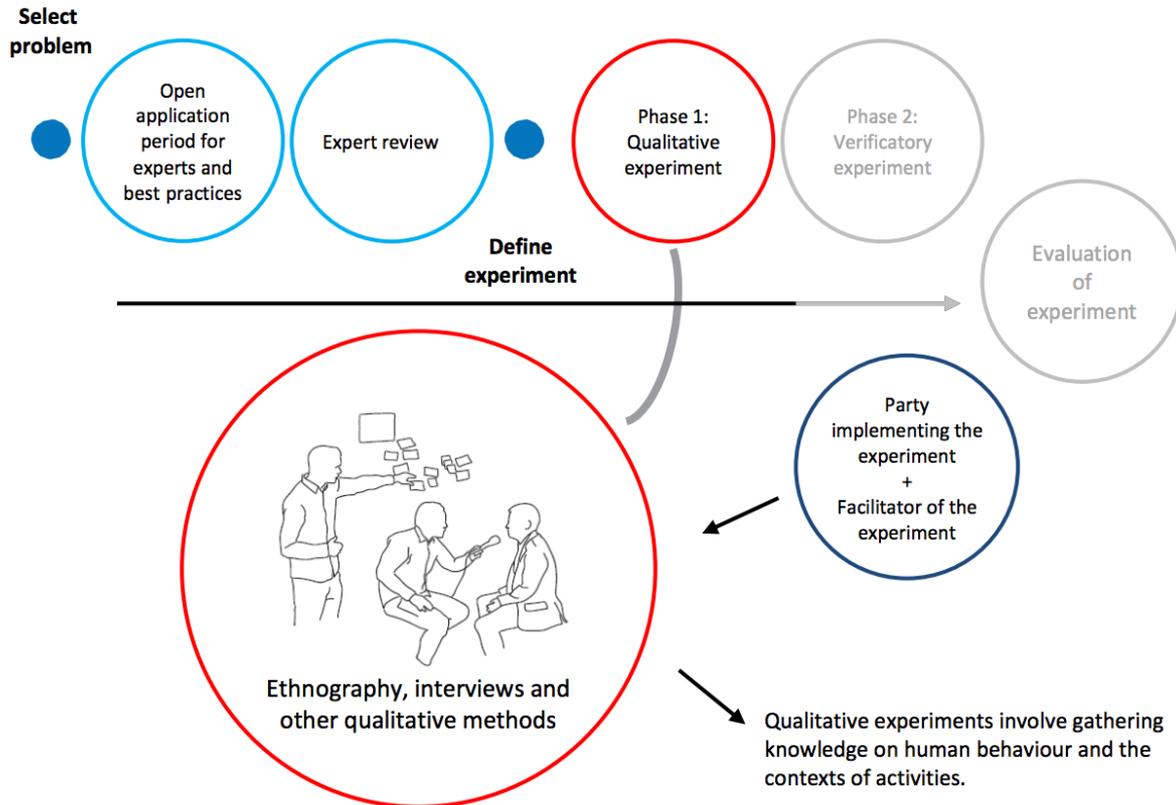
Identify best practices and engage with stakeholders



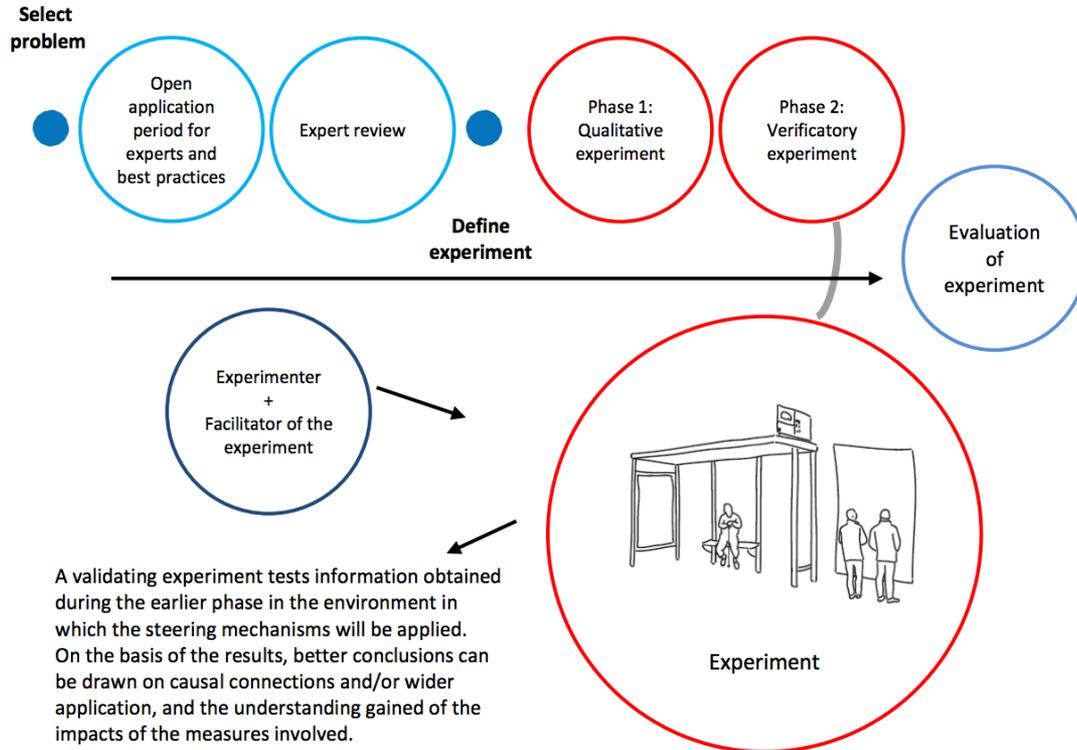
Utilize science and expert knowledge



Learn fast, evaluate as you go



Be patient and wait for reliable results



Example #1: The world's 1st nationwide basic income experiment



Finland's experiment in a nutshell:

- Duration 2 years
- Nationwide pilot
- Started on January 1, 2017.
- Covers 2,000 unemployed Finns
- Age between 25 and 58
- Guaranteed sum of 560€ / month, which equals average monthly unemployment benefits in Finland.
- Unemployment benefits were replaced
- Payments take place even if the recipient works or has other income.

[Video](#)

Example #2: Increasing tax compliance by social norms and moral appeals

Tax compliance is a common topic for public sector experimentation.

- The UK government utilises behavioral insights in increasing tax compliance. The trials test redesigned reminder letters to taxpayers who have failed to declare their income tax on time. The most successful variant increased payment by 43%.
- Most effective message is: 'All of the social norm letters contained the statement that '9 out of 10 people in **your town** pay their tax on time. You **are one of the few people who have not paid yet.**'
- HMRC estimates that this effect, if rolled out and repeated across the country, could advance approximately £160 million of tax debts to the Exchequer over the six-week period of the trial. This would free up collector resource capable of generating £30 million of extra revenue annually



How can one start experimentation?

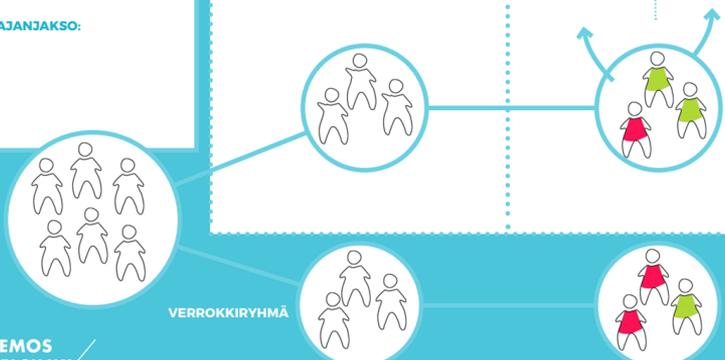
(secret: it's not very difficult)



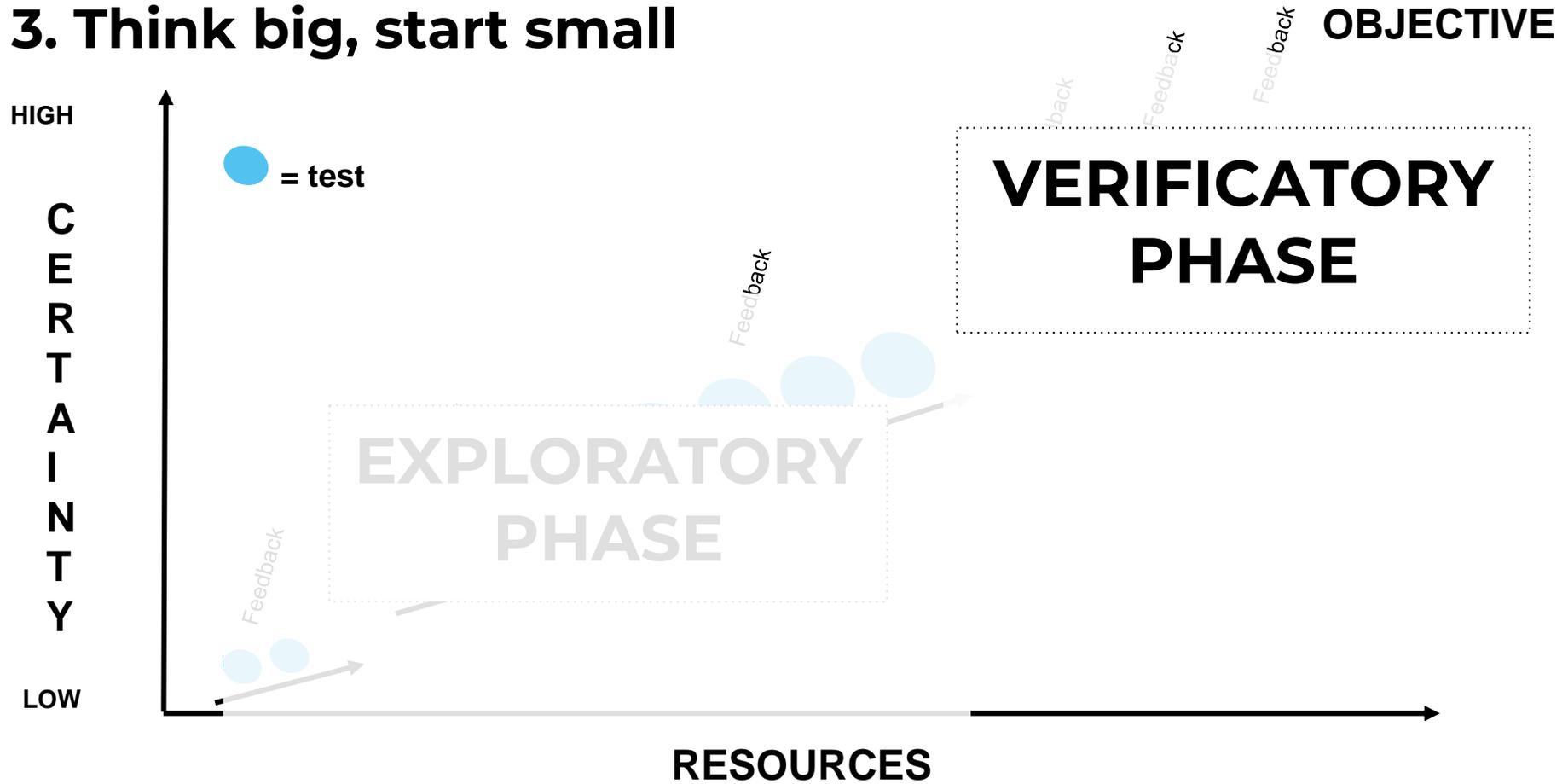
1. Most important thing is to change your thinking

✘ Long-lasting planning	➔	✓ Learning by doing
✘ Avoiding errors	➔	✓ Making use of errors
✘ Aim for certainty	➔	✓ Dialogue with uncertainty
✘ Working in sectors	➔	✓ Working in ecosystems
✘ Post-evaluations	➔	✓ Continuous learning

2. Use tools for making an experimentation plan and reflecting on learnings

KOKOILUASETELMA			
KOKEILUN PERUSTIEDOT	KOKEILUN KUVAUS Miten osallistuja pääsee mukaan?	OLETETUT VAIKUTUKSET	PIENKOKEILUVAIHE Miten opitaan nopeasti?
KOHDEJOUKKO:		VÄLITTÖMÄT TULOKSET	
OSALLISTUJEN LUKUMÄÄRÄ:		IDEAT MITTAREIKSI	
TOTEUTUSPAIKKA:	Mitä asioita/toimenpiteitä tehdään, kuinka usein ja kenen toimesta?	PIDEMMÄN AIKAVÄLIN TULOKSET	MUUT SEURAAVAT ASKELEET
AJANJAKSO:		IDEAT MITTAREIKSI	
			VAHVA KOKEILU Voidaanko... <input type="checkbox"/> tilanne mitata ennen ja jälkeen kokeilun? <input type="checkbox"/> järjestää verrokkiryhmä? <input type="checkbox"/> osallistujat satunnaistaa ryhmiin?

3. Think big, start small



Finally, 3 key elements for claiming truly radical benefits from experimentation

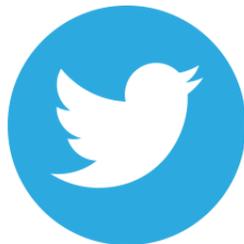
- 1) Ability to attract many actors to commit to a societal mission
- 2) Will to decentralize experimentation in an organisation
- 3) Commitment to ensure that results of experimentation will lead into changes in society

Thank you!

**Mikko Annala,
Head of Governance Innovation**

**www.demoshelsinki.fi/en
mikko.annala@demoshelsinki.fi**

@mikkoannala



- Little bit of context: why government of Finland wanted to enter experimentation (what layer the foundation to help to move in to this direction)
 - PMO initiated experiments in Finland
 - (Varmaan tässä kokeilun määritelmä myös)
 - Experimentation program, experimentation model
 - 27 kokeilua, systemaattinen pyrkimys kohti kokeilujen käyttämistä policy makingissa
 - Kokemuksia kokeiluista
 - Tuloksia muista kokeiluista
 - Verotuskokeilut - Tax examples would go (what are on-going)!
 - Many of the experiments are still on-going - if you can give some idea how long these experiments usually take -
 - Kokeilemisen hyödyt (voidaan edetä radikaalimpien policyjen kanssa)
 - Opeja muistakin konteksteista
 - Miten aloittaa kokeileminen Ontariossa (tähän tulee kontekstista matskuja)
 - Recommendation: how to start experimentation, if you want to (in a way that you don't need to do it in a super big scale, but you don't have to wait for the federal gov, you can start in other way too)
-
- Timeframe: 1 h 15 min (talk 45-50min)