

FUTURE GOVERNMENTS

ACTIONS AND INSIGHTS — MIDDLE EAST NORTH AFRICA

Series Editor: Melodena Stephens

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FUTURE GOVERNMENTS

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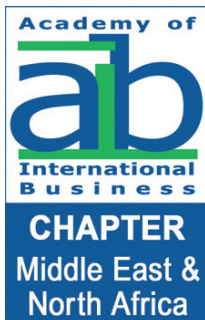
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From the Desk of the Series Editor

He who does not know his past cannot make the best of his present and future, for it is from the past that we learn.

His Highness Sheikh Zayed Bin Sultan Al Nahyan

Ruling is not authority or a mere profession...it is a heavy responsibility to safeguard the interest of our nation and working hard so our people may prosper [...] We are building a new reality for our people, a new future for our children, and a new model of development.

High Highness Sheikh Mohammed bin Rashid al Maktoum

The future of all governments rests on their ability to adapt and meet citizen aspirations that are fuelled by the rapid pace of change. These changes are brought about due to technology revolutions, hyperconnectivity and media reach, the so-called progress of industrialization, urbanization, and the growing dilemma of the context and appropriateness of regulations. Education needs to be revamped; society needs to be strengthened with good citizenship behaviours; and decision-making needs to be transparent, ethical and just. Easier said than done. The tools are there, the will is there, great methods of implementation exist but – always the ‘but’!

Deloitte¹ predicts seven trends for the future first of which governments need to become enablers instead of solution providers. The focus needs to shift from developing solutions for society from outside the government, to working with and holding partners accountable for targeted outcomes. This requires a cultural shift in understanding what a government means, is capable of, and its role in society.

This book, titled *Future Governments*, the seventh of our series *Actions & Insights* is dedicated to understanding what governments are capable of doing in order to prepare for the future. Its launch coincides with the World Government Summit, a perfect setting to provide much food for thought. A majority of the chapters in this

¹Eggers, W. D., & Macmillan, P. (2015). Gov2020: A Journey into the Future of Government. *Deloitte*. Retrieved from <https://www2.deloitte.com/content/dam/Deloitte/au/Documents/public-sector/deloitte-au-ps-gov2020-journey-future-government1-130315.pdf>. Accessed on 31 August 2018.

Future Governments

Actions and Insights – Middle East North Africa, Volume 7, xi–xiv

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book are cases from the UAE. Cases not only act as repositories of organizational memories and hence allow us to embrace the past, but they also provide educational content for future public policy managers. This initiative began in 2010 as a part of the Academy of International Business — Middle East Chapter (AIBMENA), whose explicit purpose was to promote a deeper understanding of the region.

This volume contains a mixture of cases and perspectives that provoke the reader to take a deeper citizen-centric perspective, by exposing them to challenges that may be considered a norm. While a majority of cases are focusing on Dubai and the United Arab Emirates, there are perspectives and cases from Chile, China, Estonia, Finland, Germany and Iceland. By understanding the objectives and process of strategies implemented and even the concerns about the future, we are in the position to create a better future for the world.

The opening perspective titled *Future Disruptive Governments — Catching Up with Technological Advancements & New Horizons* highlights the urgency with which governments must pivot to ensure they still retain the trust of their citizens. This article highlights three key reasons that are pushing governments to change: post-democracy disillusionment, post-globalization and protectionism legacy, and technology disruption and (lack of) regulations. Four examples of governments taking bold risks in public sector innovations are presented: Finland, Estonia, China and United Arab Emirates. Finally, a policymakers' roadmap is presented that highlights some innovative practices of governments and also flag areas of caution that governments need to take into consideration in order to disrupt the future.

This book is divided into five sections. Section 1 is based on Government Foresight. Government foresight allows countries to see multiple futures, pick the most likely and hence prepare for the same. It is the opposite of hindsight,² which is what most educational and institutional research focuses on. In some cases, governments need to do more than just prepare for a future, they can and should help shape the future — this is covered in greater depth in the article *Future UAE Government Foresight*. Germany, a pioneer in Industry 4.0, is presented as a case written by the German Trade & Invest, the economic development agency of the Federal Republic of Germany. A case on UAE's soft power raises questions on the responsibility governments have at a global level beyond their borders. A case on how Chile kickstarted an international entrepreneurial culture change through Start-up Chile is presented. What is clear from all three cases is the commitment needed of both public and private parties and the implicit understanding that changes take time.

²Martin, B. R. (2010). The origins of the concept of 'foresight' in science and technology: An insider's perspective. *Technological Forecasting and Social Change*, 77(9), 1438–1447; Miles, I. (2010). The development of technology foresight: A review. *Technological Forecasting and Social Change*, 77(9), 1448–1456.

Section 2 is based on Future Orientation. Future orientation can be defined as the degree to which a society collectively encourages and rewards future-oriented behaviours such as planning and delaying gratification.³ With 31 people in the world being internally displaced every minute,⁴ the perspective *Reforming Policies on Refuge for Refugees* discusses where collective will, policies and implementation strategies need to change. The case on innovation and creativity explores some of the challenges in linguistics and translation of a strategy at a cultural level highlighting the importance of risk tolerance and delayed gratification. The Smart Dubai case study on public–private partnerships highlights the steps taken to get private sector buy-in and commitment to public sector goals.

Section 3 deals with regulatory reforms and strategy in Dubai, UAE. The first perspective *Fiscal Policy Reforms for the Future* looks at the UAE. The adoption of the newly implemented electronic health record management system by the Dubai Health Authority highlights the importance of planning and getting commitment and buy-in at all levels. The understanding of the cultural change required for performance in Dubai Municipality, one of the largest public entities in Dubai, highlights the need for continuous skill development of leaders with a more customer-focused alignment.

Section 4 takes an in-depth perspective of the Happiness Agenda. The first perspective *The Digital Economy Will Need Flexible Social Security* provides insights from the Basic Income Experiment run in Finland. The next two cases focus on implementing the happiness agenda in Smart Dubai and in the Knowledge and Human Development Authority. Since there is a huge debate on the use of social media, a case of twitter and its impact on student performance was presented. Youth (18–21 years) are the key users of social media. In the study, most of the youth used Twitter to express their personal opinions and this raises questions on how to interact with a new generation that prefers a different mode of communication. The final perspective *Iceland Succeeds at Preventing Teenage Substance Use* looks at the radical experiment implemented in Iceland to reduce substance abuse by teenagers. Creating a happy society requires commitment of all actors including the individuals and their support networks.

Section 5 focuses on the sharing economy. The perspective *The Sharing Economy and Government Regulations* looks at some areas that need addressing at a government level. This is followed by a case on Careem, a tech-unicorn from Dubai that is a ride-sharing platform. The case looks at the need for the private sector to work hand-in-hand with local governments and address local problems. For example,

³House, R. J. et al. (2004). *Culture, leadership, and organizations: The GLOBE study of 62 societies* (Vol. 2004, p. 282). Newcastle upon Tyne: Sage.

⁴Relief Web. (2018). *World Refugee Day 2018: every minute, every day, nearly 31 people are forcibly displaced*. Retrieved from <https://reliefweb.int/report/world/world-refugee-day-2018-every-minute-every-day-nearly-31-people-are-forcibly-displaced>. Accessed on 31 August 2018. It was 20 people in 2016!

China expects the sharing economy to contribute 10% to its GDP.⁵ The last case looks at the social enterprise C3 and their method of addressing impact management. Real value is more than monetary benefits (GPD, per capita income, profits and turnover), and perhaps, this is the direction not just governments but organizations need to move towards. This thought of highlighting value is important for the sharing economy which need not be about ‘economy’ but about resources.

This book would not be possible without our champion supporters. First of all, I would like to thank Her Highness Sheikha Shamma bint Sultan bin Khalifa Al Nahyan for her constant support with this project. The Mohammed Bin Rashid School of Government is our collaborator for this book series and we are grateful for this. The leadership at the Mohammed Bin Rashid School of Government has been our greatest champion – thank you His Excellency Dr Ali Sebaa Al Marri.

Projects like this are volunteer projects. Each perspective or case requires many hours of collaborative work, and we were lucky to have great contributing authors and mentors. Teaching cases are the outcome between case writers and organizational representatives, who volunteer their time, resources and knowledge to further education. We have to thank the authors, who have worked with revisions and tight deadlines and the organizational representatives, who have also worked with us to understand the academic style, support our deadlines, our limitations and been generous in letting us see behind the scenes. You helped us to record history of a region not many people understand, document impact and yet also let us know the challenges that you face which are always part of organization growth and so important for learning. Our sincere gratitude to all.

A big thank you to my co-editors Prof Raed Awamleh who has always been supportive of the big ideas, Dr Mona El-Sholkamy and to Dr Immanuel Azaad Moonesar who have managed the process of helping our case writers put together another volume that can be used in the classroom. We are inspired by the words of His Highness Sheikh Mohammed bin Rashid al Maktoum, Vice President and Prime Minister of the United Arab Emirates, and Ruler of the Emirate of Dubai.

Most people talk; we do things. They plan; we achieve. They hesitate; we move ahead. We are living proof that when human beings have the courage and commitment to transform a dream into reality, there is nothing that can stop them.

⁵Harsono, H. (2016, April 11). Embracing the sharing economy for growth in China. *TechCrunch*. Retrieved from <https://techcrunch.com/2016/04/10/embracing-the-sharing-economy-for-growth-in-china/>. Accessed on 31 August 2018.

Preface

The Mohammed Bin Rashid School of Government, formerly known as the Dubai School of Government, was launched, in 2005, under the patronage of His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai, as the first research and teaching institution focusing on governance and public policy in the Arab world. The School aims to support good governance in the UAE and the Arab world and build future leaders through an integrated system, which offers offering education and training programs, as well as research and studies. The School's operations are founded on global best practices developed in collaboration with the Kennedy School at Harvard University, and it is considered a unique model for academic institutions, in that it focuses on the practical side of governance. The School also collaborates with several government and private institutions both regionally and internationally. The overall design and implementation of training programs is built on the foundation of scientific thought and is inspired by the reality of Arab public administration with a view to help future leaders meet the challenges facing public administration in various parts of the Arab world.

MBRSG aims to promote good governance through enhancing the region's capacity for effective public policy. Towards this goal, the Mohammed Bin Rashid School of Government also collaborates with regional and global institutions in delivering its research and training programs. In addition, the School organizes various international and regional conferences, specialized workshops and holds forums to facilitate the exchange of ideas and knowledge between the Arab region and the world, to foster critical debates on public policy. The School is committed to the creation of knowledge, the dissemination of best practice and the training of policy-makers in the Arab world. To achieve this mission, the School is developing strong capabilities to support research and teaching programs which includes:

- applied research in public policy and management,
- master's degrees in public policy and public administration,
- executive education for senior officials and executives and
- knowledge forums for scholars and policy-makers.

Future Governments

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Hence towards this goal, the introduction of the latest edition book, *Future Governments* from the Academy of International Business — Middle East North Africa Chapter book series. This is a collaborative piece of work with the Mohammed Bin Rashid School of Government (MBRSG). The Actions and Insights series is a valuable resource for students, academics, policy-makers, researchers and businesses alike. Its focus is on producing a succession of case studies covering a wide range of business topics to represent a unique record of history and how organizations manage in the MENA region and across the world. It thus offers important food for thought about areas that are often ignored, along with excellent insights on localized and implicit knowledge which fills a void in current global academic research.

This particular volume 'Future Governments' is a substantially important piece of work given the nature and mission of the future of United Arab Emirates, the Arab region and the world. Professor Raed Awamleh, Dean of MBRSG, inspired this volume's theme. In addition to this, MBRSG recent new launches of the Master of Innovation Management, Executive Master of Executive Education, and Master of Public Policy with concentrations in health, education, science and technology, social policy and sustainable development; this wealth of local case studies will fit comfortably into the teachings, applied research and theories utilized. This volume documents the cases across various themes: Government foresights, future orientation, regulatory reforms and strategy, the happiness agenda and the sharing economy.

In the midst of a wave of change drivers that are sweeping over economies, governments are now adopting preparatory measures to accustom themselves to their unpredicted future. Taking proactive rather than reactive measures, governments are now embarking on schemes and strategies to untap the substantial potential that lies within the drivers of change affecting the worldwide landscape.

Public sector organizations face a future where dealing with uncertainty while delivering services that are affordable, in the context of deficit-reducing budget cuts, is their new normal. From demographic changes, economic upheavals and societal transformations, all the way to technological developments, these change drivers leave their profound impact on the contexts of how governments operate and function. Government leaders have a key role in this shift, acknowledging the elements necessary to create a dynamic public sector that is adaptive to its circumstances and ready to deliver its defined purpose in the face of a world in constant change.

This book reflects on how governments can and are preparing themselves to face a future full of uncertainty. The changes in resource management, social structures, citizen expectations, technological advances, global markets and world governance as we know it, make it necessary for governing bodies to become proactive, nimbler and faster in embedding best practices. With new dimensions of productivity and novel definitions of efficiency and effectiveness; technology like robotics, block-chains, artificial intelligence and the overall Internet of things are profoundly impacting the paths governments and vital institutions are to embark on in the future. The challenge for public sector organizations worldwide is to adjust to the

new reality of 'doing more for less' and focus on the outcomes society needs and wants, while navigating some of the mentioned seismic shifts.

I congratulate AIB-MENA for the seventh volume of their book in partnership with MBRSG.

His Excellency Dr Ali Sebaa Al Marri
Executive President, Mohammed Bin Rashid
School of Government

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Future Disruptive Governments: Catching up with Technological Advancements and New Horizons

Melodena Stephens, Sheikha Shamma bint Sultan bin Khalifa Al Nahyan and with contributions from Christopher M. Schroeder

1.1. Public Sector Innovation: A Critical Juncture

Trust in the government is a good thing. Research highlights the importance of trust in and within governments that lead to more effectiveness and higher efficiency in their functioning.¹ The greater the trust, the more likely citizens and organizations are motivated to comply with regulations,² contribute to greater economic growth³ and commit to a long-term strategic orientation.⁴ However, at this moment in time, trust is a rare and declining resource. Global surveys find that people are continuing to lose trust in governments and in recent years, governments are less trusted than

¹Blind, P. K. (2007). Building trust in government in the twenty-first century: Review of literature and emerging issues. In 7th global forum on reinventing government building trust in government (pp. 26–29); Bouckaert, G. (2012). Trust and public administration. *Administration*, 60(1), 91–115; Knack, S., & Zak, P. J. (2003). Building trust: Public policy, interpersonal trust, and economic development. *Supreme Court Economic Review*, 10, 91–107; Johnston, W., Krahn, H., & Harrison, T. (2006). Democracy, political institutions, and trust: The limits of current electoral reform proposals. *The Canadian Journal of Sociology*, 31(2), 165–182.

²Murphy, K. (2004). The role of trust in nurturing compliance: A study of accused tax avoiders. *Law and Human Behavior*, 28(2), 187–209.

³Algan, Y., & Cahuc, P. (2010). *Handbook of economic growth*. Amsterdam: North-Holland Publishing; Dasgupta, P. (2009). A matter of trust: Social capital and economic development. Prepared for presentation at the Annual Bank Conference on Development Economics (ABCDE), Seoul, June.

⁴Gyorffy, D. (2013). *Institutional trust and economic policy*. Budapest: Central European University Press.

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non-government organizations (NGOs), businesses and the media!⁵ This is true even in democratic and free economy countries. Confidence in OECD governments is at 42%.⁶ The effects of distrust are being seen in the public arena across the world through elections results, demand for cessations and civil unrest movements.

The primary reasons for loss of trust are corruption and the inability to deliver promises.⁷ Out of 180 countries, more than two-thirds score above the 50% mark for levels of corruption.⁸ Corruption has been linked to lower growth rates, GDP per capita, economic equality, productivity, FDI investment and human development.⁹ Surprisingly, in OECD countries, income inequality is at a 30-year high, where 10% of the population earns 9.6 times the poorest 10%.¹⁰ Income inequality has been linked to a higher incidence of depression¹¹ and political instability.¹²

In most countries, even if there is a low level of corruption, the public sector is generally considered less efficient than the private sector. Ironically, inefficient public sectors are one of the reasons for corruption.¹³ In one study, it was calculated that in a year, government employees work one month less than in the private sector.¹⁴ However, a more recent UNDP study argues that services are normally hybrid — rather than purely public or private and depend on the sector and country

⁵Data Sources: According to the 2017 and 2018 Edelman Trust Barometer, governments, are facing a crisis of a lack of trust in 20 out of 28 countries surveyed; see Cheema, S. G. (2006, September 6–8), Building trust in government Opening Presentation. Regional forum on reinventing government in Asia. Seoul, Republic of Korea. Retrieved from <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan024163.pdf>. Accessed on 7 June, 2018.

⁶OECD country citizens' confidence levels in their governments are at 42% (OECD 2017; Government at a Glance 2017).

⁷Espinal, R., & Hartlyn, J. (2006, March). Performance still matters explaining trust in government in the Dominican Republic. *Comparative Political Studies*, 39(2), 200–223; Job, J. (2005, November). How is trust in government created? It begins at home, but ends in the parliament. *Australian Review of Public Affairs*, 6(1), 1–23; Wang, C. H. (2006). Government performance, corruption, and political trust in East Asia. *Social Science Quarterly*, 97(2), 211–231; Warren, M. E. (2006, January). Democracy and deceit. Regulating appearances of corruption. *American Journal of Political Science*, 50(1), 160–74.

⁸Corruption Perception Index. (2017). *Transparency International*.

⁹Lambsdorff, J. G. (2004). How corruption affects economic development. *Global Corruption Report*, 310, 212; Rothstein, B., & Holmberg, S. (2011). *Correlates of corruption*. University of Gothenburg, Quality of Government Institute Working Paper, 12; Sanyal, R., & Samanta, S. (2008). Effect of perception of corruption on outward US foreign direct investment. *Global Business and Economics Review*, 10(1), 123–140; Zurawicki, L., & Habib, M. (2010). Corruption and foreign direct investment: What have we learned? *The International Business & Economics Research Journal*, 9(7), 1.

¹⁰OECD. (2015). *In it together: Why less inequality benefits all*. Paris: OECD Publishing.

¹¹Patel, V., Burns, J.K., & Dhingra, M., et al. (2018). Income inequality and depression: a systematic review and meta-analysis of the association and a scoping review of mechanisms. *World Psychiatry*, 17(1), 76–89.

¹²Alesina, A., & Perotti, R. (1996). Income distribution, political instability, and investment. *European economic review*, 40(6), 1203–1228.

¹³Méon, P. G., & Weill, L. (2008). *Is corruption an efficient grease?* BOFIT Discussion Papers, No. 20.

¹⁴Richwine, J. (2012, September 11). Government Employees Work Less than Private-Sector Employees. *The Heritage Foundation*, No. 2724. Retrieved from http://thf_media.s3.amazonaws.com/2012/pdf/b2724.pdf. Accessed on 7 June, 2018.

of study, hence cautioning on jumping to such conclusions. Whatever the case, there are higher expectations for government services as it can have a direct impact on a citizen life. The breakdown in the delivery of efficient and timely services, and the transparency and coordination between government departments leads to the perception that the rule of law is not being implemented.¹⁵ Trust is all about perceptions. This disillusionment is dangerous and leads to negative citizenship behaviours like low voter turnout, disinterest in politics and decreasing civic engagement.¹⁶ In extreme cases, it can lead to revolutions and extreme anarchy.

Citizens are also unsure if their governments know what is the right for their countries.¹⁷ The bureaucratic and ageing public sector is unable to recruit and keep younger talent.¹⁸ This is leading to governments that are unable to understand what opportunities and challenges are facing a much younger and global generation or to prepare the older citizens for the inevitable changes on the horizon. Take for instance, the questions posed by the elderly Congress senators to Mark Zuckerberg, at the Facebook testimonial hearing in Washington DC about Cambridge Analytica. They did not understand the technology platform, how Facebook earned revenues nor the value users received from Facebook. Without an understanding of the technology and its usefulness, regulations can be counterproductive, destroying the potential positive benefits of technology and its immense reach. The end result is that citizens consider their peers to be more credible sources of information than their official government spokespersons.¹⁹

In many countries, the public sector has been a significant employer of citizens: approximately 30% according to ILO,²⁰ 18% in OECD countries and around 50% in places such as India, China and Egypt.²¹ In some cases, such as the Gulf

¹⁵UNDP. (2015). *Is the private sector more efficient? A cautionary tale*. Singapore: UNDP Global Centre for Public Service Excellence.

¹⁶Adsett, M. (2003). Change in political era and demographic weight as explanations of youth 'Disenfranchisement' in federal elections in Canada 1965–2000. *Journal of Youth Studies*, 6(3), 47–64; Gray, M., & Caul, M. (2000). Declining voter turnout in advanced industrial democracies: 1950 to 1997: The effects of declining group mobilization. *Comparative Political Studies*, 33(9), 1091–1122; Putnam, R. (2000). *Bowling alone: The collapse and revival of American community*. New York, NY: Simon and Schuster.

¹⁷A 2017 Pew Research Center survey found only 14% of those surveyed say they 'trust their national government a lot to do what is right for the country'. Retrieved from <http://www.pewglobal.org/2017/10/16/many-unhappy-with-current-political-system/>. Accessed on 7 June, 2018.

¹⁸OECD (2017). *Government at a glance 2017*. Paris: OECD Publishing; OECD (2015). *Government at a glance 2015*. Paris: OECD Publishing.

¹⁹2017 Edelman Trust Barometer.

²⁰Hammouya, M. (1999). *Statistics on public sector employment: Methodology, structures and trends*. International Labour Office, Working Paper 144, Geneva. Retrieved from http://www.ilo.org/public/english/bureau/stat/download/wp_pse_e.pdf. Accessed on 15 May, 2018.

²¹OECD (2017). *Government at a glance 2017*. Paris: OECD Publishing; OECD (2015). *Government at a glance 2015*. Paris: OECD Publishing; Srivastava, V., & Roscitt, A. (2016). *Size of the public sector: Government wage bill and employment*. World Bank; Rothenbacher, F. (nd). *Public sector employment in Europe: Where will the decline end?* Retrieved from <http://www.mzes.uni-mannheim.de/eurodata/newsletter/no6/feature.html>. Accessed on 14 July, 2018.

Cooperation Council (GCC), the public sector is the employer of choice.²² This means that employees of the government can influence the perception of the government. Public sector morale is important as this is related to employee satisfaction and morale is a root factor contributing to the differences in satisfaction found in private and public sectors.²³ Public sector morale is found to be lower than that of the private sector — according to a BCG survey, where only 59% of the employees said they were proud to work for their organization in comparison to the 89% of private employees.²⁴

When public servants are not satisfied, they become disillusioned or worse — inefficient, or corrupt which then impacts the working efficiency of the government. Citizen satisfaction is dependent on how governments perform based on *expectations of* public services and the style of governance. When citizens are not satisfied, it impacts the level of trust in their governments.²⁵

This article will focus on the three key reasons that are pushing governments to change: post-democracy disillusionment, post-globalization and protectionism legacy, and technology disruption and (lack of) regulations. This will be followed by some examples of governments that are taking bold risks and implementing innovative policy changes. Finally, a policy-makers' roadmap highlights some innovative practices of governments and also flags areas of caution that governments need to take into consideration in order to disrupt the future.

1.1.1. *Post-democracy Disillusionment*

The lustre of democracy may be proving to be short-lived. Democracy, at one point in time, was increasingly embraced by over 120 countries in some form or other, either because of decolonization or later, the dissolution of the USSR.²⁶ The concept of democracy is often measured by free and fair electoral efficiency, among other factors. As of 2017, based on 60 factors, the Economist Intelligence Unit's

²²WEF (2014). Part II — The employment system in the GCC. From the report: Rethinking Arab employment — a systemic approach for resource-endowed economies.

²³Wright, B. E., & Davis, B. S. (2003). Job satisfaction in the public sector: The role of the work environment. *The American Review of Public Administration*, 33(1), 70–90.

²⁴LaBresh, J, Watters, M. & Chandhoke, S. (2017). The smart and simple way to empower the public sector. BCG, dated 4 January. Retrieved from <https://www.bcg.com/publications/2017/smart-and-simple-way-to-empower-the-public-sector.aspx>. Accessed on 14 July, 2018.

²⁵Nye, J., Jr (1997). Introduction: The decline of confidence in government. In J. Nye Jr, P. Zelikow, & D. King (Eds.), *Why people don't trust government* (pp. 1–18). Cambridge, MA: Harvard University Press; Christensen, T., & Lægheid, P. (2005). Trust in government: The relative importance of service satisfaction, political factors, and demography. *Public Performance & Management Review*, 28(4), 487–511; Anderson, C. J., & Tverdova, Y. V. (2003). Corruption, political allegiances, and attitudes toward government in contemporary democracies. *American Journal of Political Science*, 47(1), 91–109.

²⁶Economist (2014). *What's gone wrong with democracy*. Retrieved from <https://www.economist.com/news/essays/21596796-democracy-was-most-successful-political-idea-20th-century-why-has-it-run-into-trouble-and-what-can-be-do>. Accessed on 14 July, 2018.

Democracy Index only found 19 out of 165 countries with a perfect score.²⁷ By 2017, Freedom House tracked the 12th consecutive year of decline in global freedom indicating that the values associated with democracy are being threatened for various reasons. This is seen through the rise of populism, nationalism, the lack of trust within countries and the growing intolerance between countries in bilateral discussions.

One theory for this growing trend has been because elections are being made for the sake of keeping up formal appearances.²⁸ While the concept of democracy is sound — it must be strengthened and acceptances must be made that various forms of democracy can co-exist. Holding elections does not equal rule of law, participation of citizens or adoption of basic human rights, all of which are fundamental pillars of democracy.

Understanding the principles of democracy and its implementation based on context (economic and socio-cultural contexts) need to be made at the level of the citizen so that (1) they can actively participate and should participate, (2) the rule of law applies equally to all, (3) all human life is equally protected and (4) through free and fair elections, representatives can be chosen, who voice the opinions and values of the people they represent.

Obviously, democracy, as we observe it today, has its shortfalls. Majority ruling does not mean that minorities have no say or rights. Representation at the government level means that government officials must work with, and for their constituents and if necessary, also educate them. Well-being does not equal economic improvements.

Citizen responsibilities are the other side of political responsibility of governments. Citizens need to be responsible for the people they vote for (or do not vote for), the regulations they allow and for the implementation of good citizenship behaviour. How will a citizen need to be involved if the future of governments requires co-creation? Looking at Brexit as one example, the challenge with the process of a referendum was the need for a transparent discussion of what the vote would mean — loss of jobs, less FDI, smaller market access and the depreciation of the pound. While this may be short term, the citizens were not ready for the fallout when their votes were counted.

Nations are vulnerable when economic stagnation or de-growth occurs. A study of 180 countries for the period from 1950 to 1982 found that when governments are fragile (likely to collapse), growth is significantly lower than otherwise.²⁹ Governments need to ensure a healthy economy as their citizens assume that this is the government's responsibility. One way of ensuring a healthy economy has been trade.

²⁷Economist Intelligence Unit's Democracy Index 2017. Retrieved from http://pages.eiu.com/rs/753-riq-438/images/democracy_index_2017.pdf. Accessed on 4 August, 2018.

²⁸Crouch, C. (2011). Is there a liberalism beyond social democracy? *Policy Network*, dated 5 May.

²⁹Alesina, A., Özler, S., Roubini, N., & Swagel, P. (1996). Political instability and economic growth. *Journal of Economic growth*, 1(2), 189–211.

1.1.2. Post-globalization and Protectionism

There is a much higher trust in national governments when there is a rapidly growing economy,³⁰ which is often linked to access to global markets. So increasing exports, attracting FDI and tourism — all hallmarks of globalization — seems to be the way forward.

Academically, there has been a discourse about the topics of globalization and internationalization for over two decades. Since both inform policy, it is important to begin with a clear understanding of both terms. Internationalization acknowledges the existence of borders and implies cross-border activities. Globalization, however, is borderless and looks at the causes, processes and consequences of transnational and transcultural integration of human and non-human activities across spatial boundaries beyond the nation context.³¹ This implies that the concept of globalization is higher than that of internationalization, yet we often need internationalization, to become globalized. This lack of clear understanding of the terms is clearly creating a misunderstanding among people and policy-makers. This misunderstanding of the term globalization is leading to a majority of the people (77%) believing that it is failing, especially as the benefits of growing trade are not extending to all citizens equally.³²

In the 1980s, world trade was 10% of global output, and by 2017, this had risen to 60%.³³ One of the biggest benefits of globalization was the opening up of business opportunities through travel, communications, trade, global supply chains and off shoring. Though it is assumed that globalization is dependent on the free flow of trade, mobility of individuals, money, information and communication, this has not been true. The reality is that it is heavily dependent on negotiated agreements between countries. Cross-border trade still has a long way to go. As of 2016, trade, information and stocks moved just an average of 4963 km, within regions rather than across them.³⁴ Even the EU, which is the largest trade entity accounting for roughly 17% of global trade, conducts 76% of its trade within European borders.³⁵

³⁰Wike, R., Simmons, K., Stokes, B., & Fetterolf, J. (2017). *Many unhappy with current political system*. Pew Research Center, dated 16 October. Retrieved from <http://www.pewglobal.org/2017/10/16/many-unhappy-with-current-political-system/>. Accessed on 4 January, 2018.

³¹Do look at the academic discourse on this topic. An interesting starting point is Al-Rodhan, Nayef R. F., & Gérard Stoudmann (2006). Definitions of globalization: A comprehensive overview and a proposed definition. *Program on the Geopolitical Implications of Globalization and Transnational Security*, 6, 1–21.

³²The 2017 International Trade Union Confederation Global Poll (ITUC).

³³Ortiz-Ospina, E. (2017). Is globalization an engine of economic development? *Our world in data*, dated 1 August. Retrieved from <https://ourworldindata.org/is-globalization-an-engine-of-economic-development>. Accessed on 10 January, 2018.

³⁴Ghemawat, P., & Altman, S. A. (2016). *DHL Global Connectedness Index 2016*.

³⁵EU (2016). *Trade: Free trade is a source of economic growth*. Retrieved from https://europa.eu/european-union/topics/trade_en; http://www.dpdhl.com/content/dam/dpdhl/logistik_populaer/zukunftsstudien/gci_2016/02_DHL_GCI_2016_Chapter_2.pdf. p. 41.

In Asia, 70% of trade is unfinished intermediate goods that can cross borders several times for value-added manufacturing.³⁶ So-called global trade is more ‘international’. Currently, most agreements are bilateral than global and more protectionist in nature rather than being about open economies. To tie the world together structurally, there are over 459 regional trade agreements.³⁷ While there is nothing wrong in being international — globalization obviously offers more untapped potential, which tech companies find easier to exploit and where sometimes regulations struggle.

Some countries are poised to take advantage of the benefits that globalization offers and in other cases, internationalization seems to dominate. China quickly consolidated its lead in the world markets with regulatory reforms in 1979 (exports at that time were 1% of global exports, or 0.3% of Chinese GDP) that allowed manufacturing and exports flourish. By 2015, Chinese exports were 15% of global exports. China has moved from low-cost manufacturing to a knowledge economy with global brands as the case highlighted in Section 1.2.3.

The case for being a brand owner versus an original equipment manufacturer (OEM) was seen in study between global brand owners and their Chinese OEM counterparts who earned 50 times less in terms of brand value.³⁸ An article found that for an Apple iPhone manufactured mostly in China that had a retail price of US\$500 in 2009, the United States received US\$331; Japan, Germany and other major industrialized economies received \$162 in total; and China (PRC) received only US\$7.³⁹ To dominate the world economic stage, China needed to become brand owners and move away from low-cost manufacturing. Now they are investing in Africa from a global strategic point of view, which has access to commodities, strategic resources and a large market of a younger population. This is necessary as China is facing an ageing and declining population. This suggests that timing and strategy (which sectors, facilitating exports and FDI) all matter for individual nations if they are to take advantage of globalization. China has leapfrogged in a short period of time to become one of the leading economies embracing concepts like mobile pay, where more importantly, the local consumer market is open and accepting of this change.

The global GDP is slowing down (around 3-4%) from a peak of 6.5% in 1973, which has direct implications for government spending. Worldwide, government fiscal deficit remains challenging. The net worth of governments across OECD

³⁶Unterbroderster, O. (2013). Implications for Asia from rebalancing in China. In Papa N'Diaye, Malhar Nabar, & Anoop Singh (Eds.), *China's Economy in Transition: From External to Internal Rebalancing* (p. 111). Washington, DC: IMF.

³⁷WTO (2018). *Regional trade agreements*. Retrieved from https://www.wto.org/english/tratop_e/region_e/regfac_e.htm. Accessed on 27 July, 2018.

³⁸Fan, Y. (2006). The globalization of Chinese brands. *Marketing Intelligence and Planning*, 24(4), 365–379.

³⁹Inomata, S. (2013). Trade in value added: An East Asian perspective. ADBI Working Paper Series, No. 451. Retrieved from <https://www.adb.org/sites/default/files/publication/156306/adbi-wp451.pdf>. Accessed on 26 July, 2018.

countries was on average, *negative* 72% of GDP, meaning that for every 1% of GDP in government assets, the governments owed 1.72% of GDP.⁴⁰ These deficits lead to cuts in public spending, which leads to public sector job layoffs and decrease the morale of citizens. Hence, citizens begin to fear the process of getting involved with the rest of the world (off sourcing, trade and immigration).

The comparison of life indicators (quality of life, work–life balance, infrastructure, freedom, etc.) becomes easier across the world with global media reach and travel. So far, agreements to combat global warming, achievement of Millennium Goals or even managing of refugees have run into roadblocks where global citizenship sometimes takes a back seat to perceived national interests. The morphing of the Kyoto Protocol to the Paris agreement or Millennium Goals to Sustainable Development Goals underscores the fact that often the causes, processes and implications of globalization are not easily understood or managed from a policy perspective.

The access to more markets allows companies to scale and this has led to some multinationals accruing more economic power than some countries. Apple's one trillion market capitalization (in 2018) made it comparable to the GDP of the 17th largest country in the world. UNCTAD's Transnationality Index finds that the top 100 companies had, on average, more than 500 affiliates each, operating across more than 50 countries, with seven hierarchical levels in their ownership structure, with 20 holding companies owning affiliates across multiple jurisdictions, and approximately 70 entities in off-shore investment hubs.⁴¹ If this wasn't confusing enough to read, imagine the governance issues this entails! This issue crops up again and again — for example, the Petrobras scandal in Brazil that led to the fall of a government. When state and private corporations intersect, corruption, due to an inefficient system and low transparency, becomes more likely.

Globalization also makes it harder to keep crises localized (The Asian Financial crisis, the invasion of Kuwait, 9–11, pandemics, etc.). A study on the spread of economic contagion (in the case of the Asian crisis) found that trade links and financial channels are the key mediums for contagion.⁴² The complicated relationship between economy and national security results in military and aid flows, leading governments to morally compromise on which states they work with, which leads to other problems in the long term. A prime example is 9–11, which began with the cold war and the funding of terrorists in proxy wars in Afghanistan.

An interesting study using data from 1970 to 2013 on the spread of conflict showed that conflict was more likely to spread where borders were not shared than when borders were shared, suggesting that unless we bridge culture and knowledge

⁴⁰OECD (2015). *National accounts at a glance 2015*. Paris: OECD. Retrieved from http://dx.doi.org/10.1787/na_glance-2015-en. Accessed on 26 November, 2018.

⁴¹UNCTAD. (2016). *World investment report 2016: Investor nationality – policy challenges* (p. Xiii).

⁴²Walker, W. C. (1998). *Contagion: How the Asian crisis spread*. Asian Development Bank, Economics and Development Resource Center Briefing Notes, Number 3.