SITRA

MEMORANDUM

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PRODUCTIVITY-DRIVEN TRANSFORMATION MODEL

An operating model for achieving measurable productivity gains in the public sector

Sitra memorandum

Productivity-driven Transformation Model – An operating model for achieving measurable productivity gains in the public sector

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Summary

The pressure on public finances and citizens' expectations for improved quality in public services require a significant increase in productivity across both the private and public sectors.

This memorandum outlines a practical operating model to ensure measurable productivity gains in public sector reforms that leverage data and artificial intelligence. The starting point is always a management decision on the purpose, objectives, and metrics of the productivity-driven reform. The conditions for success are created by strengthening capabilities, focusing on customer value, and leading the transformation. Finally, productivity benefits are realized in the organization's financial planning, and continuous improvement is ensured by utilizing new technological opportunities.

The model works for both central government and municipalities. It can be scaled from individual services to broader collaborative networks. The model addresses well-known reasons why many AI projects today fail to achieve their productivity and growth targets. Therefore, the Finnish Innovation Fund Sitra uses this model in its Public Sector Productivity Programme to guide funding allocation and ensure effectiveness.

The productivity-driven transformation model in a nutshell

1. **Define the focus, objectives, and metrics of the reform:** Decide what you want to achieve, which productivity you want to improve, and why. Establish baselines, lock in objectives and key indicators with timelines: what will change, by how much, and in what timeframe.
2. **Ensure the prerequisites for transformation:** Make sure roles are clear, ownership is defined, and common principles are agreed upon. Ensure sufficient resources are available to build capabilities and lead the transformation.
3. **Plan how productivity benefits will be achieved:** Identify which steps in the current work create value for the customer and how they should be transformed. Plan to eliminate unnecessary delays and introduce automation. Describe how resources will be shifted to higher value-added work in a way that is reflected in key productivity indicators.
4. **Lead implementation:** Choose a decision-making model for implementation that supports performance management. Make necessary decisions on a weekly, monthly, and quarterly basis regarding progress, stopping, or scaling. Consider which incentives would promote improved performance.

5. **Realize benefits and accelerate transformation:** Accelerate productivity-driven transformation by directing freed-up resources to work with even higher added value. Leverage new technological opportunities for rapid and significant productivity improvement.

1. Introduction

The objective of the productivity-driven transformation model is to ensure that investments in data and artificial intelligence produce the desired productivity benefits. At its core is the aim to reform the use of an organisation's resources in such a way that the value produced for customers increases. The operating model is therefore not focused on the implementation of technology projects. However, the rapid development of technology opens unprecedented new opportunities for productivity-driven operational transformation. It will also change the behaviour of industries and customers at a much faster pace than before.

Improvements in productivity are measured by the value generated from the resources available to an organisation. It is the role of management to decide on the scope, scale and schedule of the transformation. Based on these decisions, management informs the organisation about the purpose of the reform, the indicators and the decision-making process during implementation. This allows the organisation to focus on the essentials, i.e. improving performance and realising productivity benefits.

1.1 Research and practice pave the way for digital transformation

Improving productivity through the use of data and artificial intelligence involves digitisation, digitalisation and digital transformation. Digitisation is about converting analogue and non-digital material into digital format. In contrast, digitalisation refers to the utilisation of digital technologies and digitised material to transform processes and operating models and to produce a new kind of value[1].

Today, however, productivity-driven transformation often involves digital transformation[2]. It is a strategic and operational transformation of an organisation that uses technology to **radically** improve performance and impact. Digital transformation aims for **permanent** productivity leaps and **scalable** impacts across individual processes. Transformation

1 For example, workflow automation, shortening lead times and redesigning service channels. See definition: https://www.gartner.com/en/information-technology/topics/digital-transformation

2 See, for example, the classic study: Westerman, G., Calméjane, C., Bonnet, D., Ferraris, P., & McAfee, A. (2011). *Digital transformation: A road-map for billion-dollar organisations.* MIT Center for Digital Business & Capgemini Consulting.

simultaneously targets an organisation's strategy, operating model, culture and the capabilities that support them.

According to the World Bank[3] (2021), productivity gains in digital transformation are achieved when the capabilities required for renewal are built in the right order and their interdependencies are known. The OECD's[4] (2025) framework for digital leadership in the public sector, in turn, describes six dimensions of digital leadership, around which the development of capabilities should be structured. Both emphasise the importance of capabilities and managing their development for the success of digital transformation.

1.2 The speed of transformation is accelerating

National policy programmes on the use of AI are currently being updated around the world.[5] All of these emphasise the need to accelerate transformation and describe ways to steer it. There is also a global shift from individual projects to promoting broader systemic change.

Removing friction from implementation (data, infrastructure, expertise, procurement) is an explicit requirement in most programmes. It is also typical to combine risk-based regulation with testing environments to ensure that the pace of innovation is not slowed down.

Considerable investments are also being made in AI and its application in countries such as the United Arab Emirates (UAE), India and emerging economies in Africa. The UAE aims to create a self-sufficient AI ecosystem. This strategy aims for global leadership by combining government guidance, research universities, and rapid implementation in public services and industry.[6] The large-scale steering of oil resources towards economic

3 World Bank (2021). *A Global Study on Digital Capabilities*

4 OECD (2025). *Digital Government Policy Framework (DGPF)*

5 See, for example, USA: Office of Management and Budget (2025, April 3). *M-25-21: Accelerating federal use of AI through innovation, governance, and public trust.* The White House. CHINA: Cyberspace Administration of China (2023, July 10). *Interim Measures for the Management of Generative Artificial Intelligence Services* (official text; English translation). JAPAN: Cabinet Office, Council for Science, Technology and Innovation (2024). *Integrated Innovation Strategy 2024* (English digest). Government of Japan. SINGAPORE: Smart Nation and Digital Government Office (2023, December 4). *National AI Strategy 2.0 (NAIS 2.0).* Government of Singapore. EU: European Parliament and Council of the European Union (2024, June 13). Regulation (EU) 2024/1689 *laying down harmonised rules on artificial intelligence (Artificial Intelligence Act).* EUR-Lex. FINLAND: Finnish Government (2022). Government report: *Finland's Digital Compass.* Publications of the Government 2022:72.

6 See: United Arab Emirates Artificial Intelligence Office (n.d.). *UAE National Strategy for Artificial Intelligence 2031.*

transformation is reflected in very high levels of investment and the region's ability to attract world-leading AI expertise to support its own development.

India's "IndiaAI Mission" is a programme designed to promote scaling, cost-effectiveness, and access to AI solutions. The state finances a large computing centre (more than 10,000 GPUs with expansion in progress), and public-private-partnership (PPP) models bring computing capacity to researchers, SMEs, and public administration. Alongside these, India is investing in language technology and local models. India's strengths also include a large domestic market, cost-effective infrastructure growth and a rapidly developing digital public goods base (known as the "India Stack").[7]

Many developments in the use of AI have recently drawn attention to Africa's emerging economies. African countries aim for inclusive growth with a continental strategy. The African Union's "Continental AI Strategy" [8] (2024) sets a common direction for transformation. It emphasises ethical and human-centred implementation, capacity building, data/infrastructure investments and sector-specific priorities. Africa's investments place particular emphasis on solutions in health, agriculture, finance and education. Africa is particularly interesting for its investments in tangible and productivity-enhancing solutions that are visible in people's everyday lives.

1.3 From the productivity paradox to real benefits

The productivity paradox of investing in data and technology is well known.[9] Likewise, the means of avoiding it are known. The productivity paradox refers to a situation in which investing in technology does not lead to an improvement in overall productivity, but productivity may even decrease. Typical causes include measurement problems, the structure of costs and revenues during the transition phase, delays in learning and adopting new technologies, and shortcomings in reforming processes and operating models. In addition, the benefits will be lost within organisational structures if they are not reflected in the budget through the release and reallocation of resources.

7 See, e.g., Press Information Bureau, Government of India (2024, March 7). *Cabinet approves IndiaAI Mission at an outlay of Rs 10,372 crore.*

8 See: African Union Commission (2024, July). *Continental Artificial Intelligence Strategy: Harnessing AI for Africa's Development and Prosperity.*

9 See, e.g., Brynjolfsson, E. & Hitt, L. M. 1998. Beyond the Productivity Paradox: Computers are the Catalyst for Bigger Changes. *Communications of the ACM,* 41(8), 49–55.

A recent study by McKinsey[10] (2025) shows that investments in AI are not yet reflected in improved corporate profitability. More than 80% of companies that have deployed generative AI solutions have not improved their operating profit. MIT's NANDA study [11], which has generated considerable discussion, also describes how roughly 95% of generative AI pilots have no visible impact on companies' income statements. In addition to the well-known causes of the productivity paradox, AI is also characterised by exceptionally large investments in experiments that do not lead to the implementation of reforms, let alone scaling.

The results of the studies are in line with what the productivity-driven transformation model emphasises. The productivity benefits of innovations that utilise data and artificial intelligence are generated by the combined effects of value streams, data quality, implementation capacity, measurement, and budgetary linkages.

The productivity-driven transformation model:

1. links the key indicators of an organisation's ability to renew itself and implementation directly to the results of the value stream, which MIT/ NANDA [12] highlights as missing.
2. locks in the benefits at the level of financial management that MIT/ NANDA [12] specifically desires.
3. ensures scalability by using common basic services and interfaces and by agreeing on a single set of common operating standards.

The productivity-driven transformation model includes the steps and measures necessary to avoid the productivity paradox. It provides practical tools for designing and implementing innovations in digitalisation and digital transformation that lead to verifiable productivity gains[12].

Sitra's Public Sector Productivity Programme uses the operating model to guide its funding and investments in expert support and to ensure results. Projects and programmes applying to the programme are required to familiarise themselves with the operating model and adhere to it. Deviations from the operating model are always agreed separately.

10 McKinsey (2025). The state of AI: How organisations are rewiring to capture value.

11 MIT Media Lab / NANDA (2025). The GenAI Divide: State of AI in Business 2025.

12 Programmes may also include digitisation, but digitisation alone does not yet lead to productivity gains.

2. Target, objectives, and indicators of transformation

Management is responsible for defining the target of productivity-driven transformation, the scale of the desired change and its time frame. The change must require implementing measures that deviate from the current situation and significantly improve performance. Measures often target a wide range of units and functions, as well as culture and capability development. Improving benefits for customers typically also requires co-operation between several different organisations. Management is also responsible for justifying its decisions and communicating related indicators, as well as decision-making during implementation.

Key Performance Indicators (KPIs) are preferred when defining productivity targets for digitalisation and digital transformation. They link the organisation's strategic goals to operational decisions on the use of funding and resources.[13] KPIs always have a clear formula, data source, owner, target level and due date. KPIs are auditable and allow comparison across time and/or units. Appendix 1 contains examples of KPIs for managing the productivity of digitalisation and digital transformation.

Management selects two to three KPIs that best describe the organisation's performance in achieving the change that the transformation aims to achieve. The KPIs must complement each other so that they measure the implementation of the transformation from different perspectives. More specific task-specific monitoring targets can later be defined to support the KPIs.

Baseline and target levels are set for the KPIs, and their ownership is assigned. The indicators also ensure that the transformation targets a sufficiently significant volume and/or activity. This prevents so-called "pet projects" that improve a marginal part of the process without any impact on the total cost or value created for customers. The selected KPIs are compiled in a table of indicators (see Table 1).

13 Key Performance Indicators are based on Balanced Scorecard thinking. See, e.g., https://hbr.org/1992/01/the-balanced-scorecard-measures-that-drive-performance-2?utm_

Table 1. Example of a key indicator table

Key Performance Indicator information	KPI 1	KPI 2	KPI 3
Key Performance Indicator (KPI)			
Baseline (timestamped)			
Target level (unambiguous target level and time period)			
Measuring method and frequency			
Data source and formula			
Responsibility (designated primary responsibility, see responsibility matrix)			
Status (timestamped, e.g. green – yellow – red)			

Sitra's Public Sector Productivity Programme primarily funds reforms that can significantly and verifiably improve the productivity of the public sector. Significant benefits can be achieved by implementing the first phase of a solution that utilises data and artificial intelligence and/or by scaling an effective solution. Indirect, verifiable productivity benefits may also justify allocating project funding to reforms that enable the productivity-driven transformation of multiple actors and processes.

A prerequisite for Sitra's funding is that the management of the applicant organisation has outlined the target of the productivity-driven transformation, the scale of the desired change and its time frame. In addition, management has designated the KPIs for the transformation and committed to managing the effectiveness of its implementation.

3. Conditions for transformation

Productivity-driven transformation can only succeed if ownership, roles and the shared principles of transformation are clear. The role of ownership is to ensure that decisions are made at the right time and that the chain of responsibility is transparent. Increasing role-based capabilities and communicating change will remove knowledge and commitment barriers, which are often a higher risk than technical bottlenecks in the public sector. Common data models, integration principles and quality and automation standards, in contrast, make the solutions repeatable, auditable and scalable.

The prerequisites for transformation should also not be viewed solely from the perspective of just one round of reforms. As the pace of transformation accelerates, each reform should in itself improve the organisation's ability to identify and seize opportunities to improve productivity. This way, the organisation's responsibilities, capabilities and transformation principles develop through tangible reforms, which reduces the need for development investments that are separate from the organisation's core mission.

3.1 Ensuring ownership

A responsibility matrix (RACI [14]) can be used to ensure ownership. The responsibility-sharing matrix ensures that the KPIs, implementation decisions and the realisation of benefits have one designated owner. This avoids the productivity paradox where technology stays in use without positive productivity effects.

A responsibility matrix lists the workstreams related to the transformation and assigns individuals to four different roles. The accountable (A) owns the outcome and makes decisions on the progress of implementation. The responsible (R) performs the agreed actions. The consulted (C) participates in the preparation, and the informed (I) is kept up to date. The areas of responsibility must be designated before the detailed planning of productivity gains begins. Table 2 contains an example of a responsibility matrix for productivity-driven transformation.

14 See, e.g., the Project Management Institute (PMI). *A Guide to the Project Management Body of Knowledge* (PMBOK® Guide)

Table 2. Example of a responsibility matrix for productivity-driven transformation

Area of work	Accountable (A)	Responsible (R)	Consulted (C)	Informed (I)
Key Performance Indicators (including baseline and target levels)	Service Owner	Project Manager	Financial Management, Information Services	Leadership Team
Executive Dashboard	Service Owner	Data/BI Manager	Architecture, ICT	Process Managers
Decisions on implementation progress	Chair of the Management Team	Project Manager	Financial Management, Procurement Services, Risk Management	Teams involved in the implementation
Contracts	Procurement Manager	Category Manager	Project Manager, Financial Management, Legal	Suppliers
Accessibility requirements	Service Owner	UX Lead	Data Protection and Accessibility Officers	Communications
Approval of AI models	Risk Management Officer	Data Science Manager	Service Director, Legal	Teams involved in the implementation
Benefit realisation	Service Owner	Finance Manager	HR, Project Manager	Leadership Team

3.2 Increasing role-based capabilities

Mapping and cultivating role-based capabilities is an important part of creating the conditions for success. Change management is also included in key capabilities. Once the key role-based capabilities have been identified, their maturity and criticality are assessed with regard to achieving key results. Investments in capability development are prioritised based on the capability assessment. One of the Key Performance Indicators for the transformation should be linked to the growth of role-based capabilities.

With regard to criticality, it is important to note that some capabilities indirectly affect the performance and productivity improvements measured by the KPIs. They create the preconditions for developing higher-level capabilities. For example, investments in information management systems or competence development will not lead to improved productivity, unless management's ability to utilise information in everyday decision-making also develops. Table 3 lists the typical capabilities needed for productivity-enhancing reforms.

Table 3. Examples of capabilities of productivity-driven transformation

Capability	Content	Maturity (1–5)	Criticality (1–5)
(Business) operations management, benefits realisation	Change management, service ownership and budgeting		
Service and project management	Value creation for customers, methods for improving productivity		
Measuring and auditing	Defining and implementing KPIs, utilising benchmarks		
Data management	Ownership, quality, compatibility		
Architecture and common components	ID/Credentials, APIs, data models		
Usability and accessibility	WCAG, multilingualism, ease of doing business (CES)		
Implementation capability and change management	Peer-to-peer capability development networks, training, utilisation rates, certifications		
DevOps/DORA	Ability to make small improvements to software frequently and safely. Ability to recover quickly from errors.		
Procurement and performance-based contracts	Performance-based procurement models and tendering. Data obligations in contracts.		
Risks and boundary conditions	Risk classification and control plan		

The maturity of the capabilities (how good the capability is now) is assessed on a scale of 1 to 5 as follows:
1 = does not occur or occurs occasionally
2 = is repeatable but quality varies
3 = role, processes and basic metrics exist
4 = is derived and measured
5 = continuously improved and widely scaled.

The criticality of the capabilities (how necessary they are for achieving the KPI targets) is assessed on a scale from 1 to 5 as follows: 1 = low, 2 = moderate, 3 = significant, 4 = high, 5 = critical.

Role-based capabilities can be quickly interpreted based on maturity and criticality by cross-tabulating as follows:

I. High criticality and low maturity → Invest now (highest priority)
II. High criticality and high maturity → Standardise and scale
III. Low criticality and low maturity → Monitor, no funding now
IV. Low criticality and high maturity → Leverage, free up resources elsewhere

It is also possible to calculate a priority index for capabilities, which facilitates targeting development investments, especially if there are many capabilities. The higher the priority index (PI), the more urgent it is to develop capabilities. The priority index can be calculated in two ways:

- Priority Index (PI) = Criticality x (5 – maturity)
- Priority Index (PI) = 2 x Criticality + (5 – Maturity), if you want to emphasise criticality.

Role-based models and tools for developing capabilities are now evolving rapidly. New solutions utilising new technologies are coming onto the market almost every day. The skills required for different roles and the need for rapid learning are also increasing.

In capabilities related to digitalisation and digital transformation, on-the-job learning plays a significant role (70%)[15]. On-the-job learning can take place, for example, in pairs and via shadowing. In terms of productivity, the benefits of on-the-job learning arise from changes in workflows. According to McKinsey (2021), organisations that incorporate capability building into their change programmes are more likely to succeed and achieve greater performance outcomes.[16]

Capabilities are also increased through mentoring and expert communities (20%). Only a small part of capability building takes place through traditional training and certifications (10%).

15 See, e.g., World Economic Forum (2023). *The Future of Jobs Report.*
16 See: McKinsey (2021). *How capability building can power transformation.*

3.3 Common principles of transformation

In a transformation aimed at improving productivity, it is important that the information used is of high quality and easily transferable across unit boundaries. Each critical data set must be assigned an owner who is responsible for its use. The datasets must also have common quality and access rules, as well as uniform data models and interfaces. This allows information to flow from one process to another, reducing the number of correction cycles, shortening lead times, and increasing the level of automation.

High-quality data is the "fuel" of digital transformation. Without accurate, comprehensive, and up-to-date data, automation will not scale, models will drift, and benefits will remain limited to pilot projects. Improving data quality must be one of the key measures of the transformation. However, the quality and availability of the necessary data are always assessed from the perspective of data utilisation. The quality of data is improved where it is used. Improving quality based on the utilisation of data saves costs and time, increases value for customers, and improves the measurability of the benefits generated by artificial intelligence.

A prerequisite for Sitra's funding is that the organisation applying for funding has defined the most important work areas of the transformation and appointed responsible persons for them. The organisation must also have a vision of the most important capabilities for productivity-based transformation and a plan to increase them. In addition, the organisation must demonstrate that it has identified what is needed to improve the quality of its data assets and that it has common principles in place to ensure effective data management.

4. Planning for the generation of productivity gains

Productivity-driven transformation requires understanding the steps that create value for customers, focusing on these steps, and freeing up resources by eliminating unnecessary delays and making extensive use of automation. The generation of productivity gains must be planned all the way from the diagnosis and transformation of value production through to the realisation of these benefits.

The first stage of planning is related to the **production of value**. One widely used tool for productivity-driven transformation is the value stream[17]. It shows the actual progress of the work from the customer's need to the finished result. The value stream reveals delays, queues, correction cycles and opportunities to increase automation. It encourages taking a view of the entire service path: identifying points that create unnecessary work, determining where the customer can be redirected to other channels and eliminating overlapping steps.[18]

Other methods can also be used to analyse and redesign workflows. An essential aspect of productivity-driven transformation is that the value created for the customer serves as a starting point for the renewal. Research shows that it is precisely the redesign of workflows that is most strongly linked to the proven impact of AI investments.[19] Simply implementing an AI model is not enough.

Once the changes to the workflow have been defined, their **implementation** is planned. Productivity-driven transformation differs here from the traditional model of development and deployment. Implementation is planned to proceed in small batches. The results of the batches are verified, and successful changes are scaled. The duration of one batch is typically 2–4 weeks.

The "Transform – Verify – Scale" implementation model links changes in the organisation's performance directly to the value produced for the customer.[20] A decision-making model that best supports achieving the

17 See, e.g., Lean Enterprise Institute (2010). *What is Value-Stream Mapping.*

18 cf. the value chain, which describes the functions of the organisation structurally, but does not reveal bottlenecks in everyday implementation

19 See: Singla, A., Sukharevsky, A., Yee, L., Chui, M., & Hall, B. (2025). *The state of AI: How organisations are rewiring to capture value*. McKinsey & Company.

20 For good examples of public sector policies, see, e.g., *UK GDS Service Manual.* At: https://www.gov.uk/service-manual/agile-delivery

desired benefits is selected for managing the implementation. Alternative decision-making models are discussed in Section 5 of this memorandum, Implementation management.

The third stage of planning for the generation of productivity gains is related to **realising the benefits**. The resources freed up in the transformation will be released or reallocated to higher value-added tasks. The plans for realising productivity gains vary significantly depending on the root causes and targets of the reforms. Table 4 contains examples of the content of the implementation plan for productivity gains.

Table 4. Examples of the contents of a productivity gains realisation plan

Target	Objective / impact	Procedure (e.g. 90 days)	Responsibility
Personnel	Freeing up or reallocating personnel hours for higher value-added tasks	Prepare a benefits realisation plan and schedule it on a quarterly basis	**Service owner,** HR, supervisors, finance department, elected officials
Purchases and licenses	Reducing repetition, licenses and overlaps	Combine licenses, remove unofficial tools and negotiate volume discounts	**Procurement manager,** category manager, service owner, ICT, legal
Budget entries and forecasts	Realising productivity gains in financial planning	Record savings in the operating budget and framework forecast. If necessary, create a "Productivity gains" account for special monitoring	**Finance manager,** service owner, project manager
Incentives and performance agreements	Ensuring that units are committed to realising productivity gains	Agree on shared savings and include KPIs in performance contracts	**Management team,** service owner, HR, finance department
Phasing out the old operating model	Preventing costs arising from two separate operating methods	Delete forms, permissions and instructions. Update standards and training content	**Service owner,** project manager, ICT, communications
A single shared dashboard for transformation	Creating transparent monitoring and decision making	Monitor the implementation of KPIs and the progress of the transformation. Allow management to react quickly.	**Service owner,** data/BI director, management team

A prerequisite for Sitra's funding is that the plan for generating productivity gains is based on understanding the value produced for the customer and renewing workflows. Implementation must be planned so that its effectiveness is measurable and scaling is feasible. The plan must also include a vision of the targets and methods of realising productivity benefits.

5. Implementation management

Managing the implementation of productivity-driven transformation requires a decision-making model that best supports the goal of effectively implementing the change. The choice of the appropriate decision-making model depends on many factors, from the time frame for the change to its objectives and available resources.

Typical decision-making models in productivity-driven reforms are the early-stage **start-up model**, the scaling-oriented **scale-up model**, the **agile/Scrum model** supporting continuous and agile renewal, the **stage-gate model** for high-stakes projects and risk management, and the **OKR model** guiding unit-wide prioritisation. Each of them provides a clear decision-making structure, rhythm, and methods for managing the effectiveness of the transformation.

Decision-making on implementation can also involve combining different models and their characteristics. Table 5 shows the typical applications, strengths and weaknesses of frequently used models.

Table 5. Examples of decision-making models for managing implementation

Model	The idea behind the model	Best use	Strengths and weaknesses
Start-up (Lean start-up)[21]	Try it out on a small scale, measure the impact on the value stream and decide how to proceed based on the data.	Finding new solutions and operating in an environment of high uncertainty. Suitable when the benefit needs to be demonstrated quickly.	+ fast learning + fast solutions (MVP) - insufficient on its own for scaling
Scale-up[22]	Once functionality has been proven, standardise and replicate with common components to scale value.	Scaling of a tested and proven solution (MVP)	+ repeatability + platform solutions - stiffness - standardising too early stifles learning
Agile / Scrum[23]	Deliver value in 2- to 4-week cycles and guide development inputs with measurable results.	Managing team-level implementation in a 2–4 week delivery rhythm. Supports continuous improvement.	+ deployment + transparency - enthusiasm for the method
Stage-gate model[24]	Make "proceed / stop / scale" decisions with pre-agreed thresholds to manage money and risk.	High-stakes and high-risk investments and funding decisions	+ cost discipline - risk of becoming a complicated process
OKRs [25] (Objectives and Key Results)	Define key objectives and clear performance indicators so that the entire organisation works towards the same goals.	When focus and alignment across unit boundaries are needed	+ clarity + prioritisation - can slip into a to-do list

The decision-making model for managing implementation is always linked to the KPIs for the transformation. It includes the areas targeted for transformation and takes into account the designated responsibilities for each area. The decision-making model ensures that role-based capabilities develop according to plan and that the necessary shared principles are in place, enabling the solution to be scaled up. The structure and rhythm of decision-making (weekly, monthly, quarterly) enable rapid and controlled progress towards the transformation. The decision-making model also describes how the resulting productivity gains are realised in financial and personnel planning.

21 See, e.g., https://theleanstartup.com/principles
22 See, e.g., Geoffrey Moore (2014) Crossing the Chasm (3rd ed.); McKinsey (2023) *Rewired: What is digital transformation?*
23 See, e.g., https://scrumguides.org/docs/scrumguide/v2020/2020-Scrum-Guide-US.pdf
24 See, e.g., https://www.stage-gate.com/blog/the-stage-gate-model-an-overview
25 See, e.g., https://www.whatmatters.com

A prerequisite for Sitra's funding is that the decision-making model for managing the implementation phase has been chosen so as to justifiably support the creation of the targeted productivity benefits. The decision-making model for the implementation must be described and its responsible persons appointed.

6. Realisation of benefits and accelerating transformation

Productivity gains are realised in personnel and financial planning. Although a significant part of the benefits will be realised through freed resources in the first stage, the possibilities for producing a new kind of value and scaling the solution must be taken into account. Productivity gains are therefore reviewed at least in the medium term (3–4 years). It is also essential that the updated financial plan improves the organisation's ability to accelerate its capacity for transformation.

The **human resources** freed up within organisations can be allocated to processes where there is a shortage of personnel and where human resources play a significant role in creating value for customers. However, this transfer often requires skills development. It is also always examined from the perspective of overall productivity. Transfers should not compromise the performance of the receiving process.

Identifying opportunities for inter-organisational and regional co-operation is an important part of a responsible realisation of the benefits of digital transformation. Depending on the situation and need, initiating and developing co-operation can be named as one of the areas of focus for the transformation[26]. This should be considered especially in situations where digital transformation is expected to significantly change the quantity, quality, and/or allocation of an organisation's human resources.

Productivity-driven transformation can also involve **creating a new kind of value** for customers in a way that increases the need for human resources. For example, the productivity of social and health services can be improved by shifting the focus of resources from corrective services to promotional and preventive work. Such changes in the processes that hand over and receive resources rarely occur at the same pace.

Typically, transfers related to the allocation of resources are carried out at the organisational level, but are not linked to actual transfers on an individual basis. It is also often the case that improving productivity requires the transformation to be phased in. For example, the resources required by a reduction in corrective work are invested proactively in supportive and preventive activities. Impact investing and impact-based

26 See Section 2: Target, objectives, and indicators of transformation

funding models enable the bridging of productivity benefits across time and organisations[27].

A significant portion of productivity gains is achieved through **scaling the transformation**. Scaling does not just refer to implementing a transformation in new workflows, units and organisations. The productivity benefits brought by scaling also mean creating the preconditions for reforms that would otherwise not be possible. These typically include, for example, productivity investments in data repositories and their usability, as well as technological prerequisites, such as the cloud transition. A similar division between direct and indirect productivity gains applies to capability building. The generation of indirect productivity benefits is also planned, managed and realised. It is particularly important to ensure that the actors involved in the transformation have an **interest in and the prerequisites** for effectively implementing scaling.

Accelerating the capacity for transformation requires striking a balance between short-term implementation and long-term transformation.[28] Management must lead two rhythms at the same time: superior day-to-day execution within existing work processes and a more radical improvement in performance. Both of these are managed with their own resources, metrics and decision-making models. A balance is created when short-term results enable selected innovative reforms. The productivity-driven transformation model is an operational tool for implementing reforms.

Exploiting the rapid development of technology to accelerate the capacity for transformation requires **strategic foresight**. In the context of productivity-driven transformation, strategic foresight primarily refers to the ability to understand the current state and the near future, which is the subject of operational decision-making, as well as the options that the anticipated development paths include. This strategic foresight is also directly linked to the available policy options and their critical assessment.

A prerequisite for Sitra's funding is that the organisation commits to the realisation and scaling of productivity gains in accordance with the plan. In addition, it must describe how the organisation's capacity for transformation is being accelerated and the type of knowledge base for strategic foresight the renewal efforts are based on.

27 See, e.g., Duke University – CASE. (n.d.). Impact Investing. Fuqua School of Business.

28 See, e.g., Siegel, R. E. (2025). The systems leader: *Mastering the cross-pressures that make or break today's companies*. Crown Currency.

7. Transformation of the public sector as a driver of business growth

The public sector can also contribute to improving the productivity and growth of the private sector. This contribution can take place, for example, through developing public sector processes and providing datasets to support companies' innovations and operational optimisation. The co-development of algorithms that utilise data in innovative ways offers new opportunities for public sector actors to improve their own value creation, for companies to accelerate productivity and growth, and for technology and solution providers to develop new service innovations.

The public sector also offers Finnish companies opportunities to develop and test innovative product and service solutions. As a result of this co-operation, the range of domestic solutions utilising data and artificial intelligence will expand, and companies will gain experience from public sector implementation to accelerate their international growth.

Although the home country of the technology used in the reform is not a primary selection criterion in productivity-driven transformation, it is part of the risk assessment. In terms of risk management, the rapid development of European and Finnish technology solutions is desirable. Development can be promoted by making direct technology choices that meet productivity requirements and by enabling smooth transitions between technologies.

The productivity-driven transformation model emphasises the importance of co-operation between the Finnish public sector and companies. Solutions that improve productivity in the public sector can often also be utilised in companies, and vice versa. The productivity challenge is shared, and so should be its solutions.

When evaluating funding applications, Sitra takes a very positive view of reforms that have a justified link to improving the productivity and growth of Finnish companies.

8. Summary of the funding requirements for Sitra's Public Sector Productivity Programme

Sitra's Public Sector Productivity Programme uses the productivity-driven transformation model to target funding and expert support and to ensure results. Projects and programmes applying for funding from the programme are required to familiarise themselves with the operating model and adhere to it. Deviations from the operating model are always agreed separately.

Sitra's funding is conditional on the following:

1. the management of the organisation applying for funding has outlined the target of the productivity-driven transformation, the scale of the desired change and its time frame. In addition, management has designated the KPIs for the transformation and committed to managing the effectiveness of its implementation.
2. the organisation seeking funding has defined the most important workstreams for the transformation and designated persons responsible for them. The organisation must also have a vision of the most important capabilities for productivity-based transformation and a plan to increase them. In addition, the organisation must demonstrate that it has identified what is needed to improve the quality of its data assets and that it has common principles in place to ensure effective data management.
3. the plan for generating productivity gains is based on understanding the value produced for customers and reforming workflows. Implementation must be planned so that its effectiveness is measurable and scaling is feasible. The plan must also include a vision of the targets and methods of realising productivity benefits.
4. the decision-making model for managing the implementation phase has been chosen so as to justifiably support the creation of the targeted productivity benefits. The decision-making model for the implementation must be described and its responsible persons appointed.
5. the organisation commits to the realisation and scaling of productivity benefits in accordance with the plan. In addition, it must describe how the organisation's capacity for transformation is being accelerated and the type of knowledge base for strategic foresight on which the transformation efforts are based.

\+ When evaluating funding applications, Sitra takes a very positive view of reforms that have a justified link to improving the productivity and growth of Finnish companies.

Sitra provides additional information, coaching, and planning templates (project plan, sample tables, PPT presentation templates) to support the use of the operating model. Projects registered for the ongoing funding call that opens at the end of 2025 will be supported in utilising the operating model. The common goal is to accelerate and successfully scale reforms that deliver increasingly high-quality and targeted productivity gains.

Sitra reserves the right to prioritise more extensive support for the preparation of reforms that are expected to have a particularly significant impact on improving the productivity of the Finnish public sector. New technological opportunities will also be introduced to support productivity-based transformation. Technological solutions are introduced to support continuous strategic foresight, productivity modelling, measurement and verification, and capacity building. Sitra invests directly in increasing the capabilities of experts in key roles within top management and transformation. Through partners, the capacity for transformation is also accelerated in companies and in the working-age population more broadly.

9. The productivity-driven transformation model in the work of the programme

The Public Sector Productivity Programme accelerates significant improvement in the productivity of the Finnish public sector in 2025–2027. In co-operation with its partners, the programme will create the prerequisites for reforms that will make Finland's public sector known as a pioneer in productivity and the utilisation of artificial intelligence by 2030.

The productivity-driven transformation model and its management presented in this document are one of the three key work packages in the Public Sector Productivity Programme. The other two are:

- **the solution portfolio**, which brings together completed and ongoing solutions, as well as the links between them. It makes best practices visible, accelerates their scaling and supports systemic transformation. At the same time, it strengthens organisations' ability to transform and utilise learning across sector boundaries.
- **change communication**, which builds a shared and inspiring narrative about the productivity leap in the Finnish public sector. It supports organisations' communications, strengthens the commitment to productivity-driven transformation and promotes the development of the capabilities required for it.

The management of productivity-driven transformation, a portfolio of the best scalable solutions, and change communications that encourage transformation create the conditions for a significant improvement in the productivity of the Finnish public sector. The programme is also constantly developing its own operating methods to ensure ever higher productivity.

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Appendix 1: Examples of Key Performance Indicators for productivity-driven transformation

KPIs for digitalisation (processes and services)	**KPIs for digital transformation** (organisational and capability levels)
Results and efficiency • Lead time (median and P95, days) • Processing time per case (h, day) • Cost per unit / case (€)	**Finances and scalability** • Net savings per year (€, budgeted and realised) • Cost-benefit ratio, ROI • Activity targeting (targeting accuracy, early detection, %) • Repeat contacts, reuse • Task completion, success rate • Replication (ID, authorisations, payments, messaging, data models, APIs)
Quality and errors • First-time-right (FTR), decisions without further explanation (%) • Error/correction cycle rate (%)	**Capabilities and platforms** • API coverage (share of core services available via open interfaces, %) • Coverage and quality of the data model (A/B/C classification) • Reuse of components (deliveries using shared DPI layers, %) • Product ownership (% of services with assigned owner and development responsibility group)
Automation and capacity • Straight-through processing (STP), fully automated cases (%) • Freed-up capacity (person-year/year, hours/year, purchased resources, €/year)	**User-centricity and proactivity** • Accessibility (WCAG implementation, language coverage) • Proactive services (e.g. share of life event service paths providing benefit/service automatically, %)
User and customer experience • Active usage rate (STP), Daily and monthly active users relative to target group (%) • Channel shift (Share of digital channels %) • Net Promoter Score (NPS) • Customer Effort Score (CES)	**Governance and risks** • Audit deviations / 1000 cases • Approval cycle of AI models; share of models to be deployed with risk rating and control plan (%)
Accessibility • WCAG implementation	**Data and quality** • Metadata and ownership (% of datasets) • Data quality class (A/B/C)

Examples of Key Performance Indicators for digitalisation and digital transformation:

Competence and roles
- Role coverage (key roles assigned / service, %)
- Competence coverage (those who have completed the role-based training path and passed the competence test, %)
- Retention of key roles (12-month commitment, %, role turnover rate)

Continuous improvement and culture of experimentation
- Implementation rate of retro measures (%)
- Rate of experimentation (experiments / quarter per team)
- Impact and productivity-based approach (% of experiments with KPI hypothesis and impact calculation)

Implementation and change performance
- Implementation rate (items/week per service)
- Implementation time (median days/weeks/months)
- Implementation success rate (returns and corrections from implementations, %)
- MRRT (time to return to normal state, h)
- Throughput of usability improvements (days/weeks/months; top three causes of customer pain points [CES] fixed in production)

Staff deployment capability
- Staff deployment rate (e.g. unit y staff using the new tool > x times/week)

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