Public Sector Innovation

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Public vs. Private Sector

- **The objective function for for-profit organizations can be stated as:**
  - *Maximize Sustainable Economic Profit; Subject to adhering to a set of societaly imposed behavioural constraints*

- **The objective function for not-for-profit organizations can be stated as:**
  - *Maximize Sustainable Societal Value; Subject to achieving specified financial performance levels and/or staying within specified budgetary constraints*
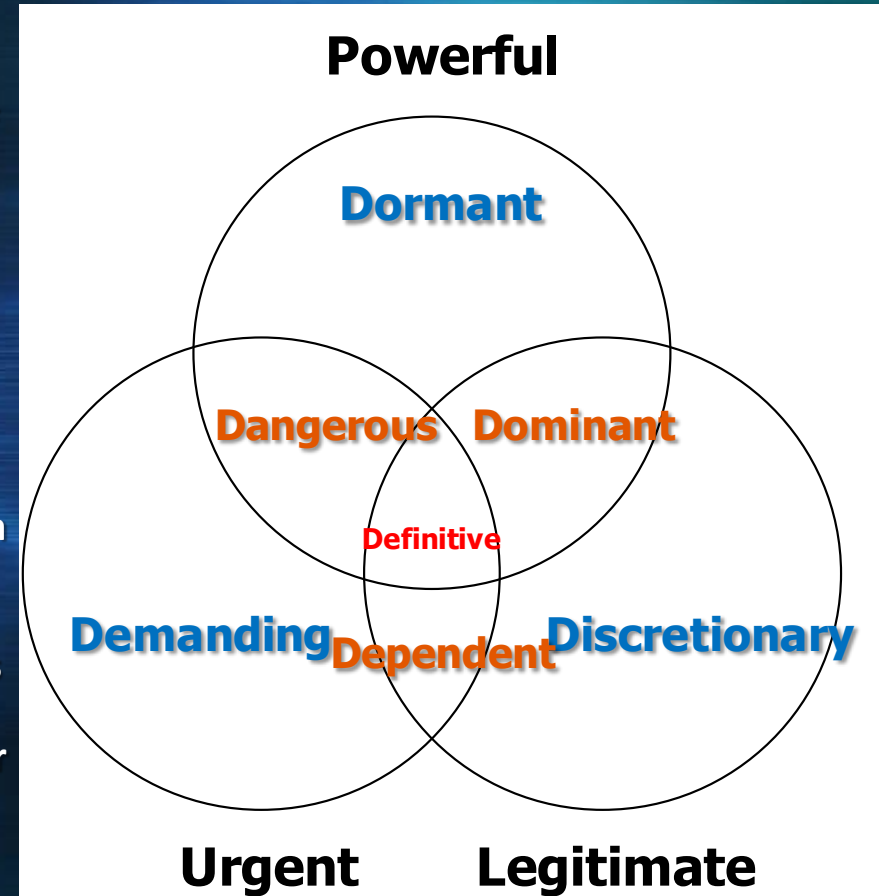
Government agencies can be, and often are, caught between these stools. The dilemma is to articulate what the value outcomes are for their stakeholders and to demonstrate fiscal rectitude.

Government agencies are instruments of the relevant Government, its peoples and its peoples' interests and are the means through which specific Government policy is executed and set tasks accomplished.

- The management task for Government agencies then is to understand who their stakeholders are, what they value, how they value what they value, what values are ascribed to what it is that they value and lastly, what trade-off in performance on attribute outcomes can be achieved in order to maximize overall value from the point-of-view of all of stakeholders.

- This task for Government agencies is made more difficult when demands are made by stakeholders that are contradictory, competing and incessant as these impact investment and operational decision choices.
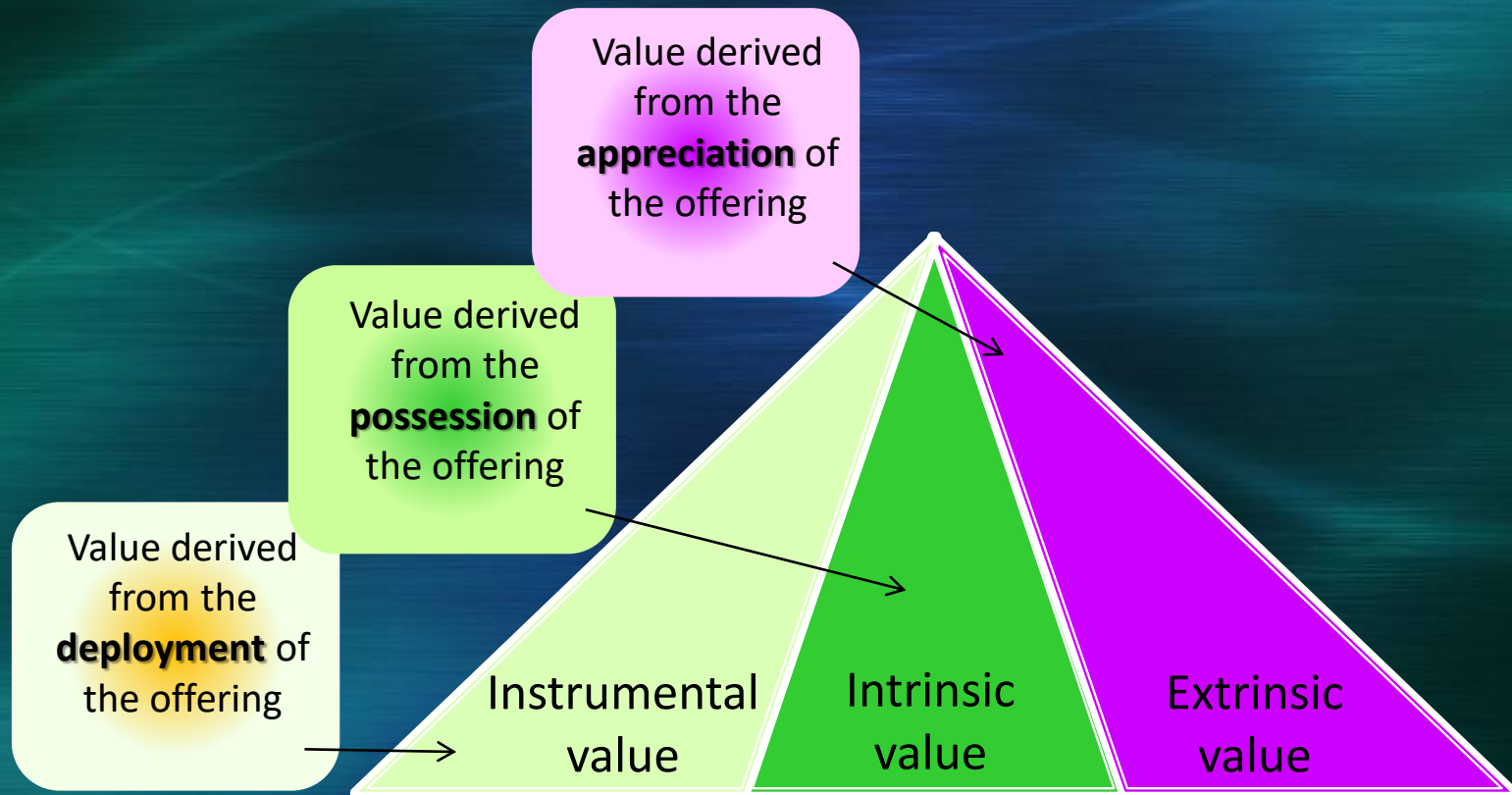
Who are the stakeholders?

- **Legitimacy** is a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions.

- **Urgency** is the degree to which stakeholder claims call for immediate attention. A stakeholder group has an urgent interest when its needs are of a time-sensitive nature and when they are important or critical to its mission.

- **Power** is the probability that an individual or group within a relationship is in a position to carry out its own will despite resistance, bearing in mind that powerful stakeholders may be able to exert influence that will affect a project either negatively or positively. Power is the ability to control what decisions are made and to facilitate the implementation of these decisions. Power may be coercive, based on the use of force or the threat of force; utilitarian, relying on material persuasion or incentives; or normative, involving more symbolic influence. When evaluating power, it is important to consider whether each stakeholder group has the resources – time, expertise, energy and/or technology – to achieve its ends.

- The most important stakeholders (at any point in time) are definitive stakeholder

Powerful / Dormant / Dangerous / Dominant / Definitive / Demanding / Dependent / Discretionary / Urgent / Legitimate

Agle, B., Mitchell, R., and Sonnenfield, J., 1999, "What Matters to CEOs? An Investigation into Stakeholder Attributes and Salience, Corporate Performance and CEO Values", *Academy of Management Journal, 42, 5: 507-525*.

What they value, how they value what they value, what values are ascribed to what it is that they value

Value derived from the **appreciation** of the offering

Value derived from the **possession** of the offering

Value derived from the **deployment** of the offering

Instrumental value

Intrinsic value

Extrinsic value

Why Innovation in Public Agencies

- The speed of change is increasing
- Innovation is required to increase the value delivered to stakeholders in a new environment
- Constant change requires constant innovation
- Innovation can also be used to change the environment to become more conducive to value creation

- **Extensive criticism is frequently voiced against governments and bureaucracies worldwide, suggesting that their perceived rigid red-tape nature, inefficiency, lack of flexibility, and negative attitudes towards change, restrict social progress and economic growth in modern states.**

- **Public administration scholars and experts suggest that ' innovation' in the public sector is a powerful engine and a key instrument for the reform and revitalization of both fully state-owned bodies and quasi-governmental organisations and agencies.**

Comprehensive efforts to examine innovation in the public sector up until about 2008 have been scarce

- Borins (2001) and Golembiewski and Vigoda (2000) have claimed that innovation and bureaucracy make an ' odd couple ' due to numerous differences in core principles.
  - For example, bureaucracy relies on old organisational models (tradition, vertical communication channels, compliance, order, and control) rather than on innovative ones (creativity, commitment, mixed flow of communication, autonomy, and responsibility).
- Successful innovation, therefore, is self-defeated when grounded in the classic bureaucratic models (see Golembiewski and Vigoda 2000).
- In addition, with the exclusion of a small number of studies (see, for example, Golembiewski et al. 1996; Cooper 1999), most contributions to our knowledge about public sector innovation have been either theoretical or limited in empirical scope.
- Studies in the public sector context have generally adopted either an intra-organisational perspective of employees or managers, or a comparative view of best practices and benchmarking (see Evans 1996; Borins 1998 ; 2000)
- The discussion about innovation in the public sector has relied mainly on data from individual nations and cultures, neglecting multinational and multicultural contexts.

Since 2008 several important studies have happened in the Nordic Region which are then replicated in the UK and reported in Australia.

Drivers of Innovation in the Public Sector?

- The productivity imperative
- Growing citizen expectations
- Globalisation
- The ever-increasing speed of the media cycle requiring fast and accurate response 24/7
- Technology
- Demographic change
- Systemic shocks
- Climate change
- Organisational politics
- Professionalism and the proper implementation of policies
- Top public management and leadership
- Ethics and morality of the public personnel cadre
- Emergence of co-creation [strongly connected to "participatory design", "Co-design", "design attitude" and "design thinking"] which provides divergence that broadens the options and anchoring that increases the probability for successful execution.
  - The Danish governments climate change business strategy was co-created
- Increasing number and visibility of wicked problems [i.e. Problems that are complex and open for interpretation, characterised by competing or conflicting opinions for solutions, and unlikely to ever be completely solved]

Barriers

- Preference for short term media exposure rather than long-term solutions
- Low incentives for "joined up government"
- Politically motivated competition trumps sensible cooperation
- Rule adherence makes experimentation difficult
- Hierarchical and bureaucratic organisations, processes, systems and mindsets
- Lack of diversity due to homogenous professional background
- Lack of citizen orientation – efficiency orientation rather than effectiveness orientation
- Do not know how to manage innovation
- Lack of clarity as to what "good looks like"
- Lacking willing adopters of successes achieved elsewhere
- Lack of leadership continuity
- Not in my backyard attitudes
- Resistance to behavioural change

Types of innovation

- Process Innovation — How we do it
- Product-Service-System Innovations — What we do [a new or improved service]

- Administrative innovation — What + How [a new policy instrument]
- System innovation — Structure [new organisations or new patterns of co-operation and interaction]

- Positioning Innovations — Who we are perceived to be
- Conceptual innovation — Change in outlook combined with the use of new concepts [e.g. integrated water management]

- Paradigm Innovations [radical change of rationality] — How we see the world [shifting the mental matrix of employees]

Within both operations and policy

Why	How	Impact

Rationale for policy (Theory & Practice)

Stratgey: Foresight and identification of strategic goals

Implementation of policy: Instruments and measures

Evaluation and impact assessment

Rationale Revision

Rationale Revision

Efficiency & Effectiveness

Feed back
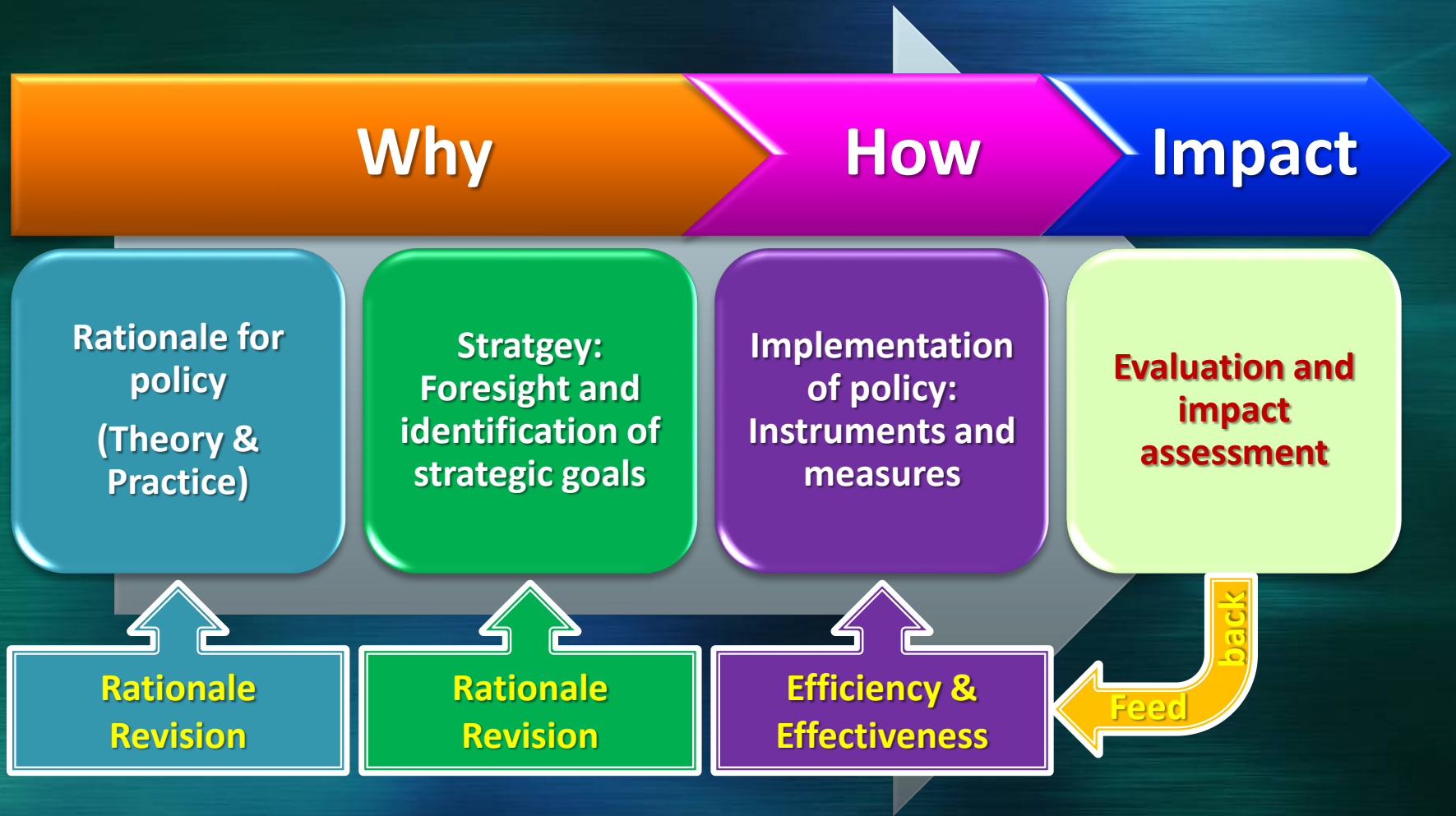
The UK Framework
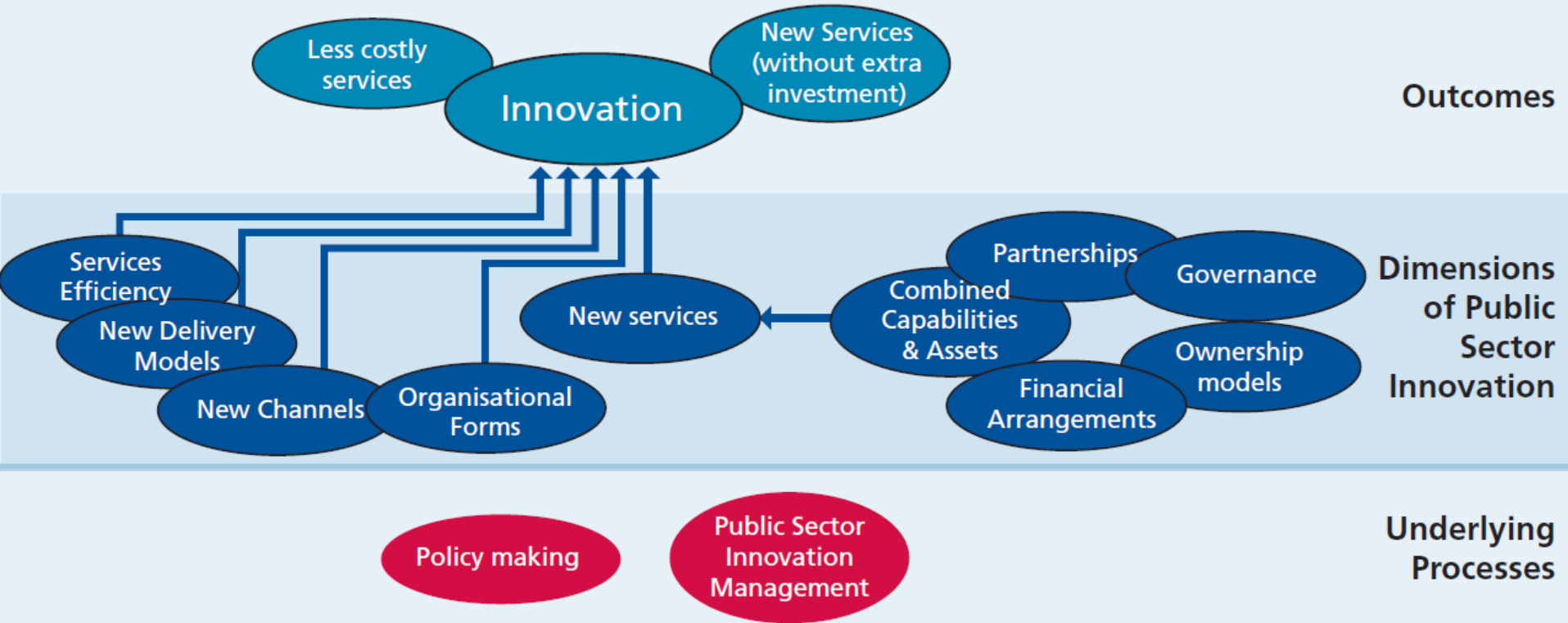
What instrumental aspects are we interested in?

Output → The preservation of full-grain compound the baking process

Outcome → The healthy food product

Impact → Lower cholesterol levels

Effectiveness → Improved national health
  ➤ longer life-expectancy
  ➤ economic effects

Innovation causalities in the Public Sector
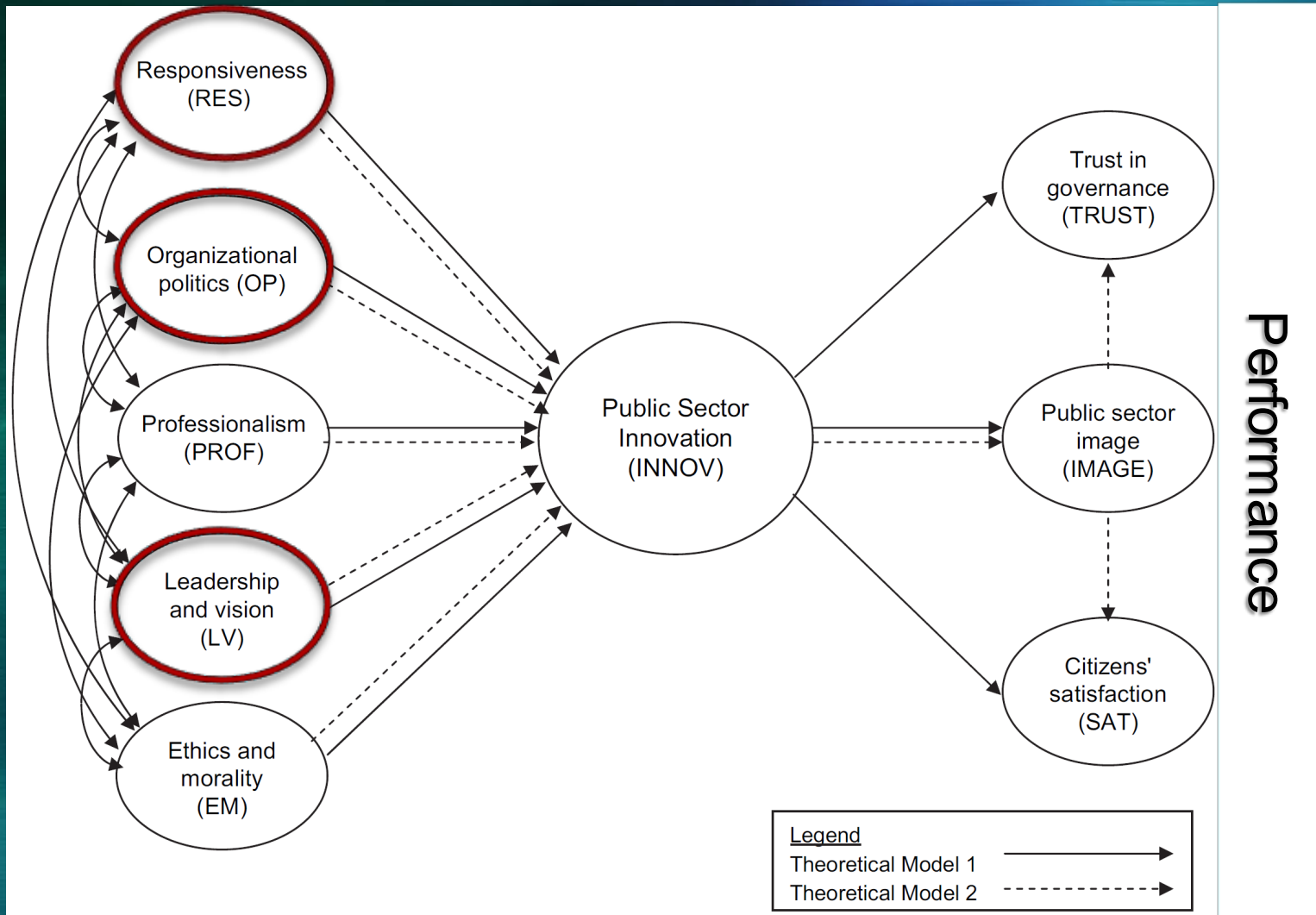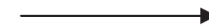
Consequences of perceived innovation in the public sector

- Increased organisational performance – more value
- Increased Citizens ' satisfaction
- Increased Trust in governance
- Improved Organisational image

Drivers of Public value delivery through entrepreneurship

Organization

Management support

Staff motivation

Environment

Multitude of expectations

Manager

Localism

Position/department tenure

Entrepreneurial Orientation

Innovativeness

Proactiveness

Risk-taking

Public Value Delivery Orientation
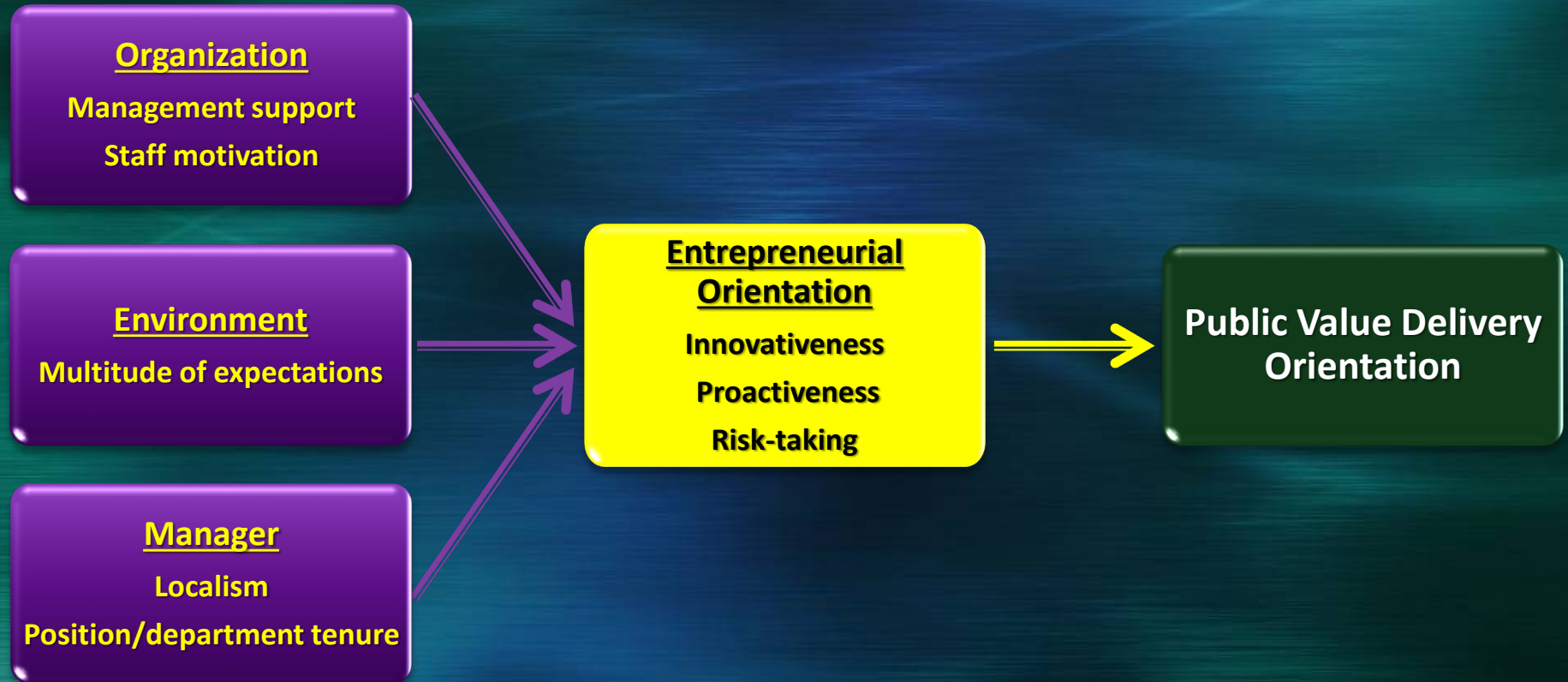
How to Develop Innovation in Public Agencies

- Put in Place an Innovation Strategy
- Put In place a Best Practice Innovation Management System
- Change the organisational Culture
- Change reward mechanisms

Put in Place an Innovation Strategy

- An innovation strategy is in essence a prioritised list of problems to which we are looking for solutions

Put In place a Best Practice Innovation Management System

CEO

Decision

Corporate Head of Innovation

Innovation Meeting

Innovation Office

External Proposals

STRATEGY

Innovation Groups

External Proposals

Suggestions from all parts of the organisation
&
Membership from all parts of the organisation
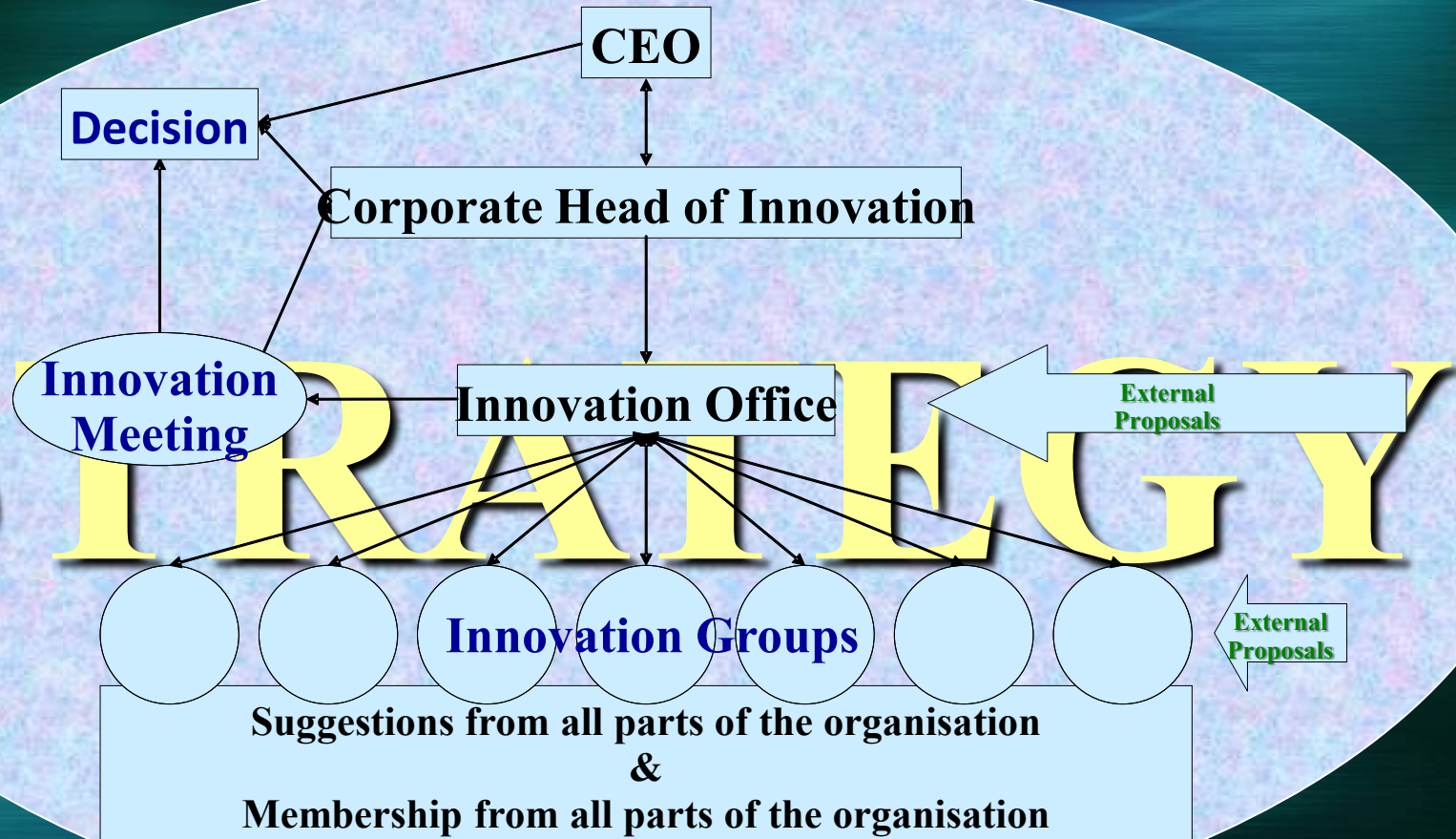
Change the organisational Culture

- Innovation has to be supported from the top, and senior leadership in the executive and the legislative branches should signal that they recognize that some ideas will fail, and that's acceptable.

- Transparency is key to sustained innovative culture.

- Recruitment of new employees provides an opportunity to change employees' skill set.

- Public Sector employees need to be clear that they should be constantly looking for better ways to accomplish government goals.

- Open up space and opportunities for generating new solutions. There are many tools that government can use both inside agencies and to mobilize social entrepreneurs, the public, and others to help generate promising ideas around new ways of doing things.

Change "reward" mechanisms

- Existing incentive frameworks tend to dampen public servants' desire to come up with newer, potentially better ways of doing things.

- We need greater recognition that new methods may be both more effective and more efficient than existing programs and initiatives.

- Put aside at least 1 percent of agency budgets to develop, test, and scale up new and better ways of doing things in the public sector. There are a wide range of ways that the government can use financing to spur innovation, from very small grants for ideas from frontline staff to stage-gate investment models.

Thank you and Good Luck

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