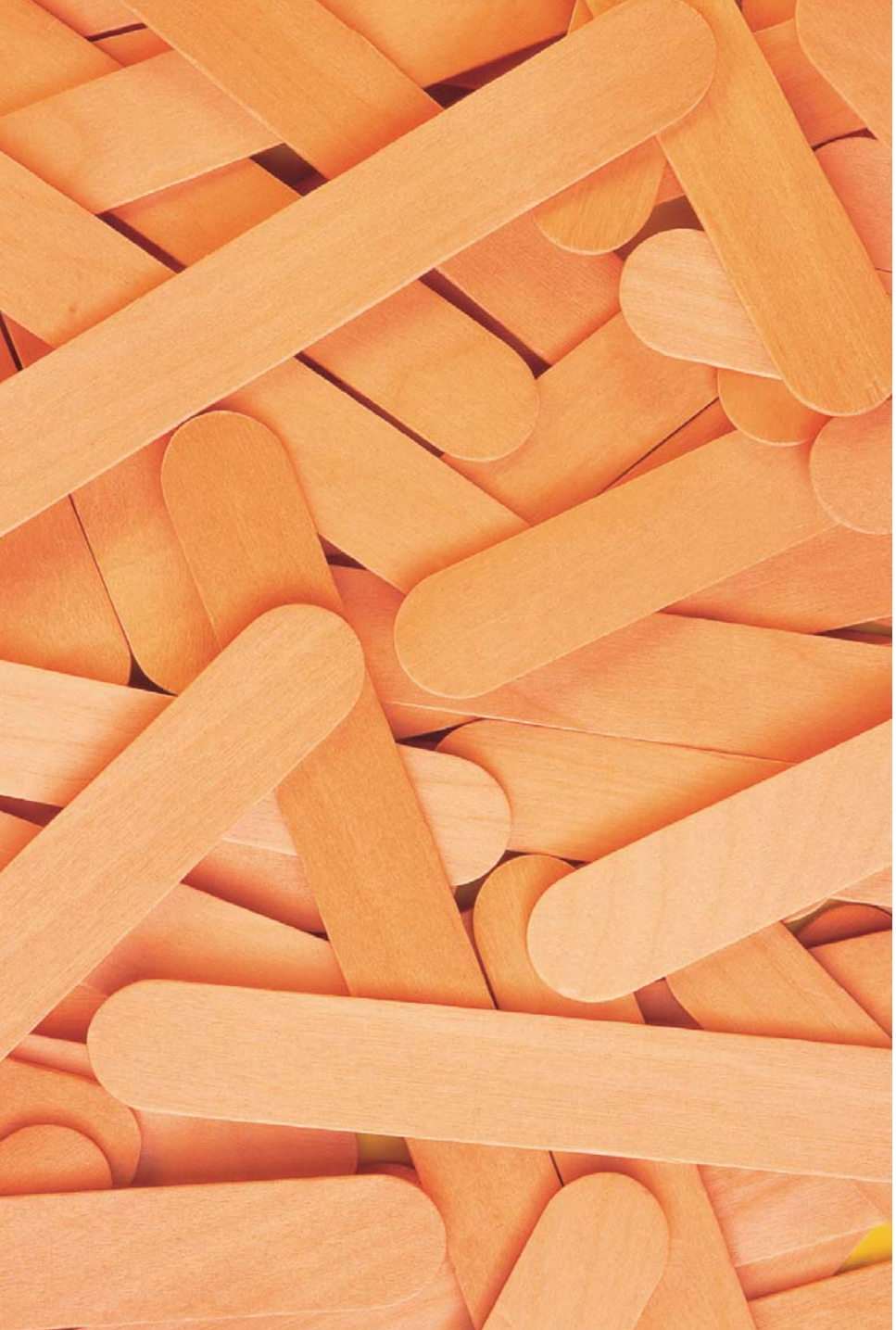

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Innovation in the Public Sector

Part of the Programme for Research, Technological Development and Demonstration on "Improving the human research potential and the socio-economic knowledge base,1998-2002" under the EU 5th Framework Programme

Supported by the Norwegian Ministry for Education and Research

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9 countries, 10 teams

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- University of Haifa, Israel
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- Comenius University, Slovakia
- University of Alcalá, Spain
- Manchester Metropolitan University, UK
- University College Cork, Ireland
- The Mykolas Romeris University (Law University of Lithuania)

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Objectives

- The main objective of PUBLIN has been to develop a consistent and general basis of understanding of the main processes of public sector innovation and policy learning.
- Secondary objectives:
  - contribute to the development of the theoretical foundation for studies of innovation in the public sector
  - pinpoint innovation strengths and weaknesses in contemporary public service organisations and policy making institutions
  - examine the influence politics, management, evaluations, cultural traits and entrepreneurship has on innovation in public organisations
  - give new insight into the learning processes underlying development in public sector bureaucracies
  - analyse networks, knowledge flows and sources and drivers of learning and innovation in public organisations
  - consider the effects of public innovation in the broader societal context of socio-economic development models

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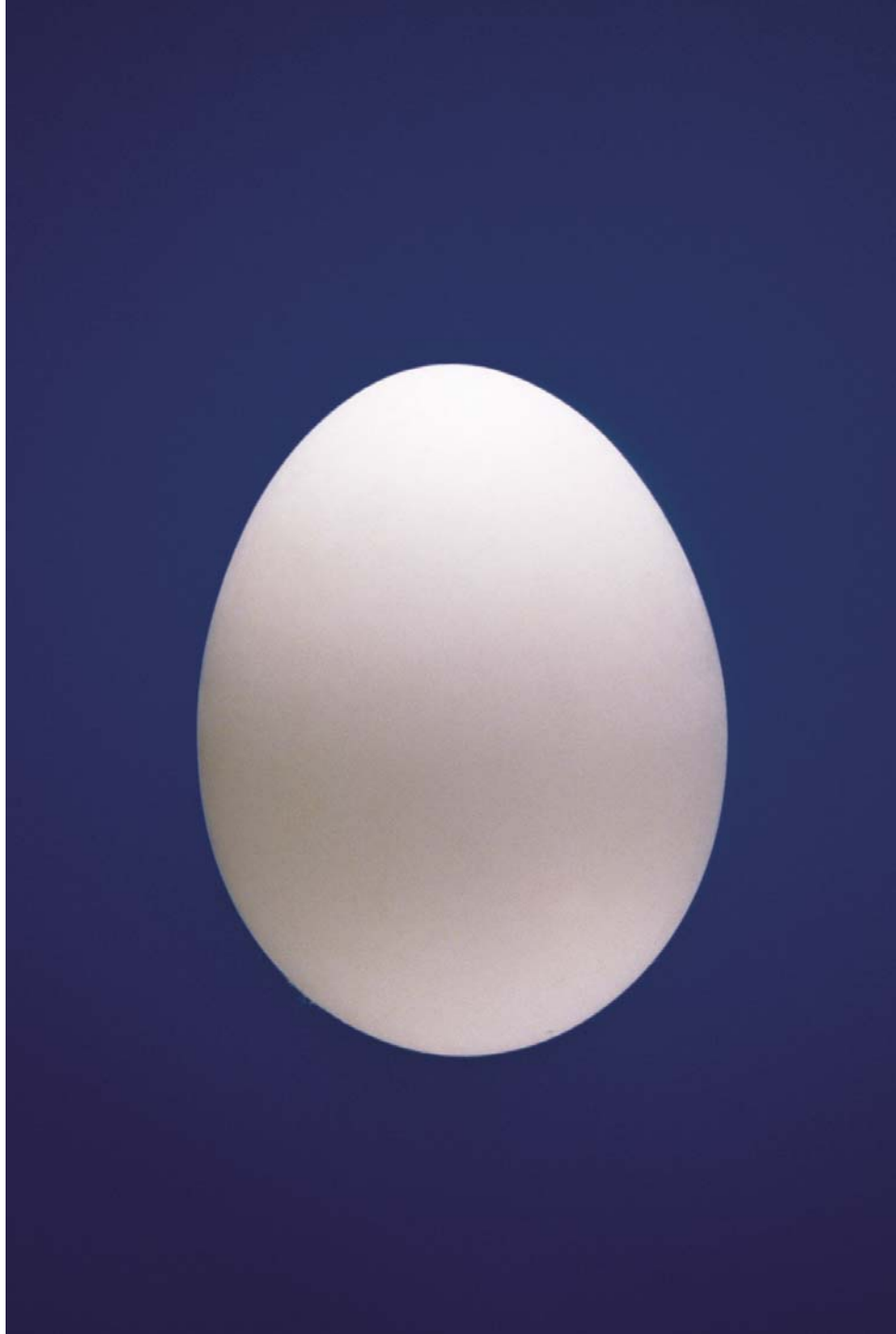
What is innovation?



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Innovation means change of behaviour with a specific objective in mind

- Innovation is much more than science & technology
- Innovation is “doing something new i.e. introducing a new practice or process, creating a new product (good or service), or adopting a new pattern of intra – or inter-organisational relationships (including the delivery of goods and services)”.
- “innovation is not merely synonymous with change. Ongoing change is a feature of most… organisations. For example the recruitment of new workers constitutes change but is an innovative step only where such workers are introduced in order to import new knowledge or carry out novel tasks”.

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Types of innovation

- Service level
  - New characteristics or design of service products and production processes
  - New or altered ways of delivering services or interacting with clients or solving tasks
  - New or altered ways in organising or administrating activities
  - New or altered ways of interacting with other organisations and knowledge bases
  - New world views, belief systems, missions and strategies.
- Policy level
  - New or altered policies and policy instruments
  - New or altered ways in organising or administrating activities
  - New or improved ways of interacting with other organisations and knowledge bases
  - New world views, belief systems, missions and strategies.

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Innovation is learning

- The process of solving problems by doing something new requires specific competences
- Hence learning is an integrated part of innovation
- Public innovation does not take place in isolation, the private and third sectors are involved in both learning and innovation.

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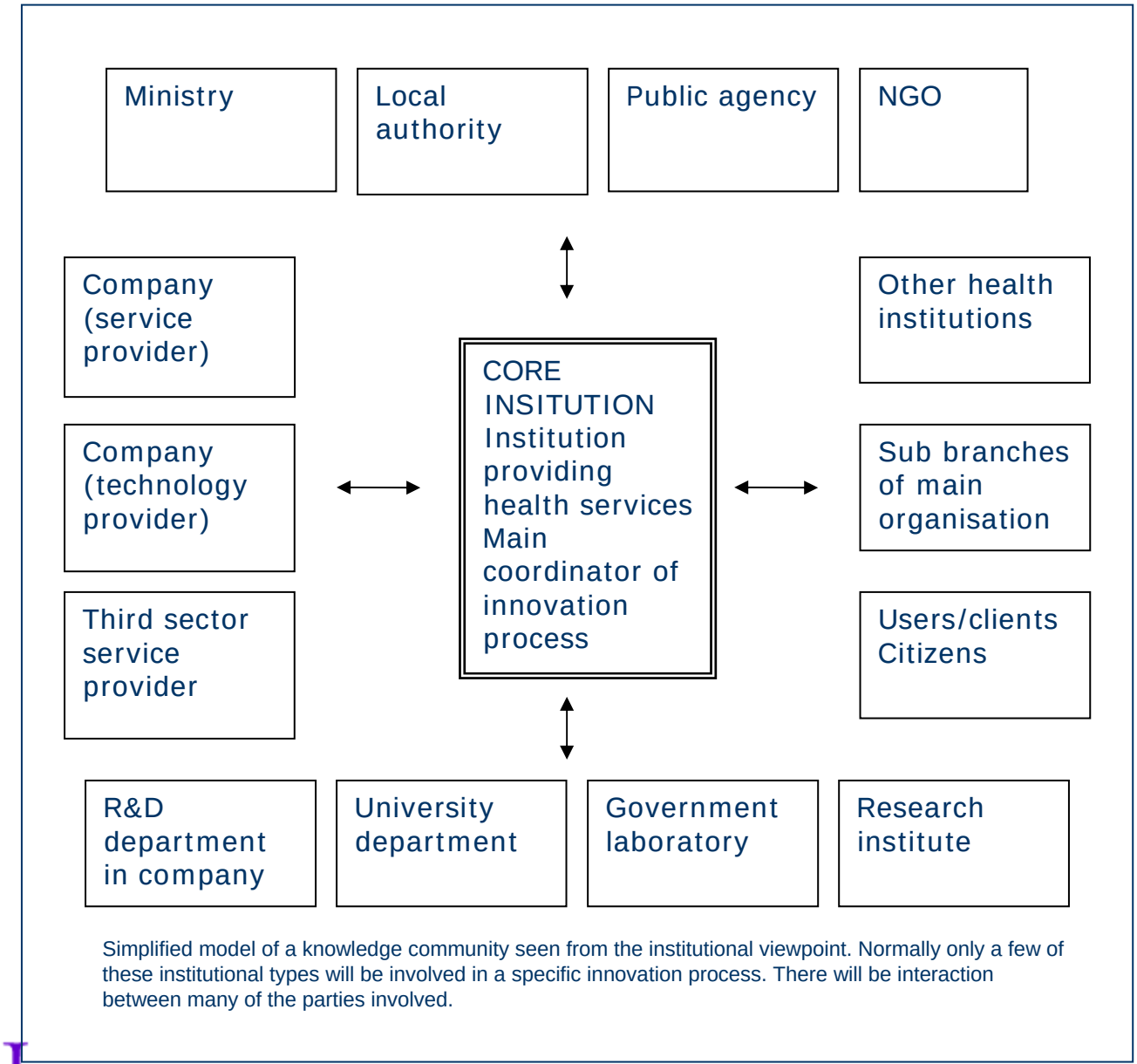
The institution centred innovation system



Simplified model of a knowledge community seen from the institutional viewpoint. Normally only a few of these institutional types will be involved in a specific innovation process. There will be interaction between many of the parties involved.

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Barriers to innovation

Size and complexity

- The public sectors comprise an extremely complex and large-scale organisational entities (e.g. the health sector)
- Localised skills shortages and gaps, lack of clear agreement with respect to perceived problems, approaches and solutions, overlap in responsibilities, and communication difficulties.

The division between barriers and drivers is partly based on D19 *Innovation in the health sector – case study analysis,* by Paul Cunningham. Recommendations from various PUBLIN reports

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Heritage and legacy

- The size and complexity leads to the development of internal barriers and, in the worst case scenario, the development of “silo mentalities” wherein parallel systems maintain their own organisational norms, beliefs and practices with little communication with each other.
- Public sector organisations are frequently prone to entrenched belief systems, practices and procedures – that which has worked in the past is seen as good practice.
- The systemic impact of innovation and change is often viewed as an unwelcome perturbation to the overall functioning of the organisation.
- A tendency to adopt the “not invented here” attitude with an unwillingness to accept novel ideas from outside the immediate organisational peer group.
- Turf wars, struggles for power and money

Interviewees perceive barriers to innovation as deriving from:
• Public service’s leadership and management (i.e., budget cuts or poor allocation of budget funds, and poor leadership).
• Traditional regulations and work routines
• Internal and external politics
• Employee resistance
• Poor learning environment

Risk aversion

- There is an inherent resistance to undertake or implement changes which may result in an increased probability of risk (e.g. to the patients).
- Public service managers and politicians are very wary of enacting changes that may result in negative outcomes, particularly if there is the risk that these will attract media focus. A blame culture, with its associated high levels of accountability.
- **The Survey:** Obstacles to innovation are predominantly considered to be internal to the organisation

Minister of Administration Jim Hacker: “I begin to see that senior civil servant in the open structure have, surprisingly enough, almost as brilliant minds as they themselves would claim to have. However, since there are virtually no goals or targets that can be achieved by a civil servant personally, his high IQ is usually devoted to the avoidance of error.”
Yes Minister

Sometimes risk aversion is a good thing! Nor all innovation is beneficial.

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Professional resistance

- Distinct and well-established professional groupings, with their own communities of practice, rationales, and perspectives. These tend to adhere to their established roles, and associated policy agendas.
- A lack of dialogue between different parts of the public system, horizontally or vertically, between different professional groups may also hinder innovation and its dissemination.

Interviewees perceive barriers to innovation as deriving from end users' resistance as well

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Pace and scale of change

- Many public administrations, for a variety of political and policy reasons (such as the introduction of New Public Management approaches), have over recent years been subject to a large number of often radical changes.
- The systems become “innovation-fatigued” and resistant to further change.

Absence of resources

- A lack of financial support, either in a general context or specifically for the support of innovation
- Shortages in relevant skills or other support services required for the implementation of innovations.
- Lack of resources – time and funding -- for systematic learning (reading material, conference participation, networking)
- The systemic nature of the impacts of innovation, whilst relieving pressure on one part of the system may result in a shift of the problem or bottleneck to another part of the system.
- The general desire to improve the quality of e.g health provision often entails the need to expend additional resources – not all innovation is aimed at economic efficiencies.

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Drivers of innovation

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Political push

- Strategic change in the public sector frequently requires a strong, top-down, political will coupled with the political recognition that change requires the allocation of substantial resources.
- External facilitators mentioned by respondents include
  - the EU
  - the legislature or national initiatives
  - information, learning, and networking.
- Public demand can lead to political push

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Capacity for innovation

- Staff in the public system are often characterised by their high levels of professional expertise, exhibiting a high level for creativity and problem solving.
- There is a marked tendency for innovating organisations or for key personnel to demonstrate openness to ideas and a willingness to think “outside of the box”.
- Many of the innovations studied relied, at one level or another on positive attitudes towards teamwork and independent thinking.
- Medical, health and social sector professionals are generally driven by a strong desire to improve the well-being and quality of life of the patients in their care.

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Support mechanisms for innovation

- The allocation of appropriate resources (finance and other forms of support) to promote innovation and its implementation.

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Competitive drivers

- The use of performance targets to derive “league tables” can encourage the use of innovative approaches in order to force up performance ratings.
- Performance targets may mobilize political efforts towards certain goals (Lisbon objective)
- However, the use of such targets, indicators and league tables often distorts operational behaviours, sometimes with unintended and deleterious consequences.

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Technological factors

- Technological innovation can be a strong determinant or driver for subsequent innovation.
  - The introduction or availability of new technology (for example, telemedicine or advanced data storage and handling capabilities, etc.) may provide an opportunity for another form of innovation (process, organisational, delivery, system interaction, etc.) to take place or to be implemented.

NGOs generates innovation

- **NGOs and the civil society** they represent are very important for a number of reasons:
  - Being agile and flexible, they seem to have a type of creativity and climate for entrepreneurship which is not possible in public organizations.
  - They have networks to dedicated people and local chapters which represent potentially powerful resources of human capital and creativity.
  - NGOs (as proved in transition countries) may have access to additional financial resources and in this way be crucial in the research, evaluation or piloting of the innovation.
  - In a policy perspective, the significance of civil society should be recognized and given opportunities for development.

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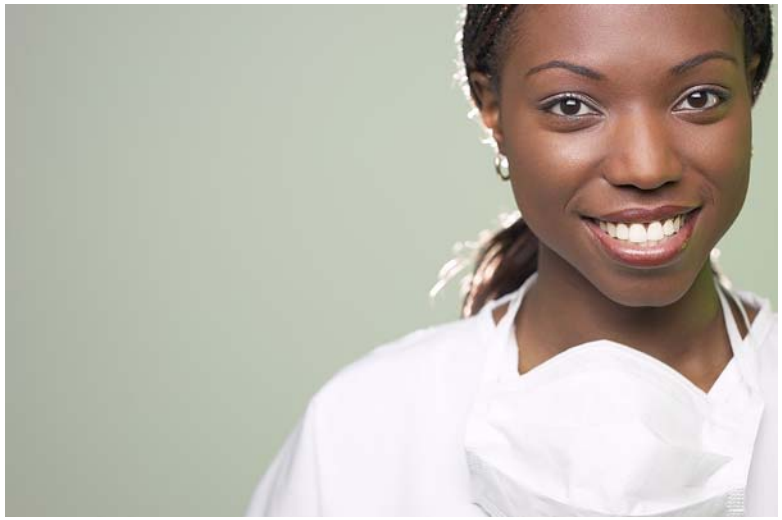
Private companies generate innovation



- By delivering technology, goods and services
- By being service providers in public welfare schemes

“Privatization” can mean so much

- Outsourcing to private companies and NGOs
- Giving public institutions more independence
- Turning public institutions into state owned companies
- Selling state owned companies
- The borderline between the public, private and civil sectors varies enormously in Europe, and has always done so (the Church in Ireland, Private Social Insurance in Germany, State owned oil companies in Norway)

Selected recommendations

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Learning and networking

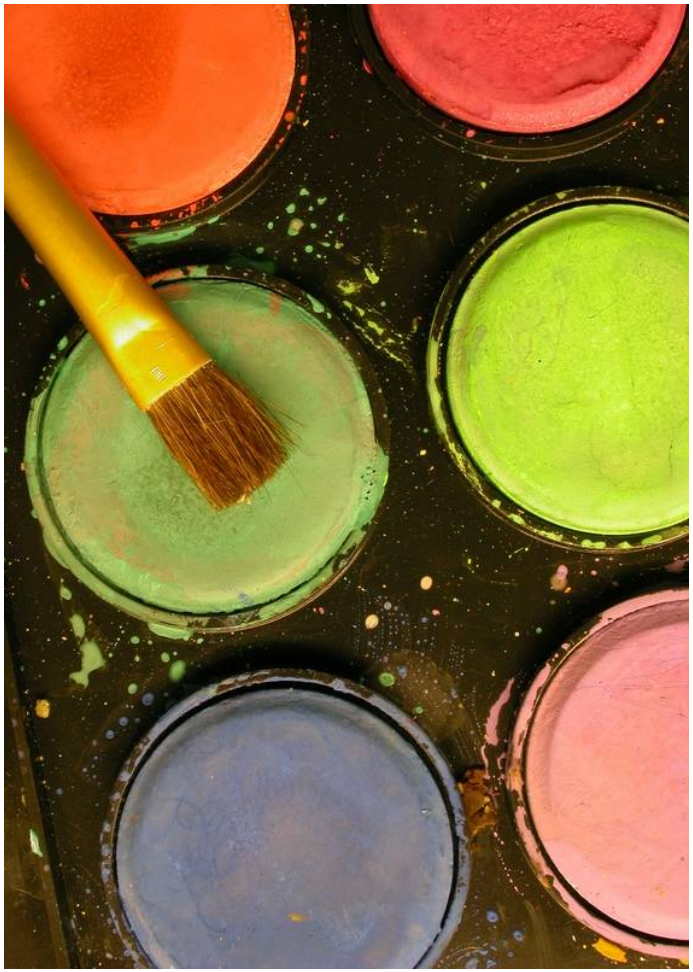
- Encourage a high degree of reflexivity – essential an ability to demonstrate organisational learning.
- Develop inter- and intra- organizational networking, coordination and cooperation at all levels
- Develop personal and institutional networks
  - Access to relevant in house competences
  - Access to relevant competences outside of the organisation (networks)
  - Develop in house competences needed to find, understand and make use of outside competences and technology
  - Set aside money for courses, lifelong learning, conference participation etc.
  - Send juniors to EU meetings!

But: too much coordination may lead to a waste of time and a loss of focus

Entrepreneurship

- Encourage entrepreneurs or champions with sufficient vision and determination to push the innovation process through. Give them funding, responsibility and leeway.
- Hire creative entrepreneurs on all levels
  - Develop more unusual recruitment policies. Not all Ministry of Industry civil servants need to be economists.
- Hire managers capable of thinking outside the box
- Provide actual structures and systems designed to promote, stimulate or disseminate innovation
  - In-house: staff suggestion boxes, staff fora, stakeholder feedback mechanisms, networking activities, competence building, encouragement of alternative thinking, conference and forum participation, etc.
  - Policy level: innovation schemes and instruments, research programs, institutions for networking and knowledge absorption, new courses at schools and universities, new public or private think tanks

Combating institutional lock-in



- Develop quality leadership that creates the right climate for change, "walk the talk" and institute "cultural change".
- Combat silo mentalities and turf wars
  - Encourage staff mobility between institutions in order to avoid the tendency of hiring “clones”
  - Discuss overall objectives for welfare and the quality of life and the effects of changes in one part in the public sector for another
- It is also beneficial to co-opt staff members and create “agents of change” to overcome potential resistance from the (professional) staff
- On the policy level: Reach for a good balance between “competent bureaucrats” and “creative policy entrepreneurs”.
- Shake the system. Yes, sometimes a reorganisation is exactly what the doctor orders against lock-in and stagnant waters

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Convince the stakeholders!

RECOMMENDATION FROM RESPONDENTS:

Be open and creative, think "outside of the box", listen to new people, use research, admit mistakes, and take risks.

- The engagement of stakeholders and consultative and participatory process were key factors in our success stories.
- In many cases, a range of stakeholders had to be convinced of the utility of the proposed innovations and resistance had to be overcome.
- Demonstration of the utility of implemented innovations is an important factor in terms of developing further support either for the innovation itself or for the implementing team or organisation.
- Involve employees and get their support and commitment, encourage personnel to take initiative, make people feel 'it's their project', provide.
- Involve the professional groups and organisations actively and give them ownership
- Sometimes you just have to fight for it. Entrepreneurs need to get allies higher up in the public hierarchy.

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Pluralism

- Give a certain autonomy to municipalities and service providing organizations
- Encourage pluralism as regards different approaches to improving service provision to client groups
  - Pluralism in terms of many different service providing organizations (NGOs, stakeholders' associations, etc.) has generated many different models and "experiments".
  - Involve NGOs in public innovation processes
  - Study their innovative practices and adapt the best practices in public organisations
  - Outsource to NGOs and private companies when relevant
- Encourage interaction between public sector organisations and relevant private companies, as both parties may learn from such interaction
  - Outsource when it makes sense, but not for the sake of competition alone.

But: In some areas there are democratic, cultural and economic reasons for keeping activities on public hands (defence, equal access to education).
In some areas privatization may lead to private monopolies, which are not necessarily better than public ones
Privatization may lead to underinvestment in shared infrastructure (New Orleans, British railroads)

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Resources

- Investments in innovation may lead to savings later within the organisations. Think beyond this years budget. Allow long term budgeting (2 to 5 years)
- Do not read “innovation” to mean “modernisation” or “efficiency”. There are other overreaching welfare objectives to take into consideration.
- Avoid budget account tunnel vision. Costs in one part of society may lead to savings in another. E.g. improved health means reduced absence from work.
- Still, budget cuts may lead to innovation.

Political push

- Political goals may be reflected through the imposition of performance targets
- Sometimes political courage is the only thing that can defeat cultural resistance
- Policy makers and politicians must be aware of the need for new world views and concepts. Rhetoric can be more than empty phrases!
- EU plays a very important role as a facilitator for innovation, especially on the policy level and in the ex-communist countries, and must continue to do so.
- There are no safe outcomes. You must take chances.

Competitive drivers - recommendations

- Remember that the overall goal is not to reduce the number of nights spent in a hospital, but to bring the patients back to normal and improve their quality of life
- Use common sense.
- Do not rely on quantitative evaluation alone. Avoid NPM in its extreme forms. Give room for individual encouragement.
- Avoid incentive structures that do not reward idealistic commitment to the welfare of the clients
- Reward entrepreneurs with resources and more freedom
- On the other hand: some kind of measurement is needed for control and evaluation

Technological factors - recommendations

- Keep your ear to the ground and track useful technological innovation
- Network with research institutions and technology firm
- Employ people that can find, understand and make use of relevant technology
- Make public needs part of more publicly funded research programs

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Innovation policy for the public sector

- Develop a third generation holistic innovation policy that not only takes the needs of industry into consideration
  - Study how the public sector learns from the private and civil sector
  - Study how private companies can learn from the public sector
  - Study how public innovation may benefit the private sector, directly through inventions that can be used by companies and NGOs and indirectly through improved services
- Develop a knowledge base for an innovation policy of the public sector and public/private interaction
  - New statistics. A Community Innovation Survey for public institutions!

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