

Public Sector Innovation: Barriers and ‘Buttons’ to assist in creating the environment for greater innovation

We need a simple and shared definition of what innovation in the public sector means:	“Doing things differently, and doing different things which create value or improve the performance of the New Zealand Public Service”	
We need to acknowledge that the environment and conditions for innovation between Public and Private sectors are different	<ul style="list-style-type: none"> • Potential risks to community from public sector innovation • Higher levels of public scrutiny – political disincentive • Limits on entry and exit to the market • Monopolistic structures, lack of direct competition • Small scale providers may not have scale or ability to innovate • Rewards & incentives to distribute innovation not the same • Variety of client groups – diffused focus • Focus is not adopting new practices and eliminating old ones • More inflexible budget processes 	
Some Barriers	‘Buttons’ to push	Comment
<ul style="list-style-type: none"> • Agency capability and culture inhibiting innovation practices • Ministerial, Public and CE sensitivity to risk and failure • Limited leadership knowledge / capability for innovation • Securing cross agency collaboration • Scale, scope and duration of effort required • Few rewards or incentives • Inflexible contract and procurement regimes • Short term planning and budget horizons • Delivery pressures and administration burdens • Resourcing of projects • Controlling approach of monitoring agencies • Process driven rather than outcome driven measures • Wellington (head office) vs local community distrust 	1. Culture diagnostic tool	A number of diagnostic tools exist to assist agencies to determine whether their organisational culture is supportive and enabling of greater innovation. Knowing whether the organisational culture settings are right will assist CE’s to focus on areas that need to be developed to ensure innovation is supported. The UK National Health Service has developed an online survey instrument to assist agencies to identify potential cultural barriers to innovation. The diagnostic tool could be made available for use at business unit level or for assessing an entire organisation.
	2. Managing risk and failure	Much conjecture on the appetite for risk and failure at Ministerial and CE levels, and with the general public. A fundamental tenet of innovation is that to be innovative an agency needs to generate many ideas and consequently some will fail and be discarded. Agencies need encouragement to trial and test, rigorously evaluate, “fail fast”, learn and then move on to other projects. Ministers need to be aware that their degree of comfort with risk and failure will be proportional to the levels of innovation and innovative behaviour exhibited by agencies. Government and CE’s must socialise with the public issues of calculated risk taking and appetite for and management of failure that result from innovation.
	3. Development Pipelines	This approach draws on established business practice to offer a structured incubation process for managing innovative ideas through to detailed business case. Such a structured and aligned approach has a proven track record in increasing the successful implementation of innovative ideas. It will enable ideas to be tested quickly for benefits, provide a consistent approach to assessing benefits and developing a full business case and minimise wasted effort by focusing on initiatives that are most consistent with government priorities. Two such pipelines are being trialled and evaluated in 2011/12.
	4. Creating the imperative	Public Sector is not driven by the profit imperative which helps drive innovation in the private sector. Government can try to simulate such an imperative through contestability and mechanisms such as Efficiency Dividends as a means to create tension to innovate. However, a goal of simply efficiency innovation combined with a distrust of using public money to experiment and a focus on transparency and accountability may have an opposite effect to that intended. These drivers may actually crowd out true ‘game changing’ innovation, and act as disincentives for the development, absorption and use of knowledge within agencies and across the state sector. Balance is required.
	5. Agency capability	“Leadership capability, organisational culture and organisational values are among the most important factors and initiatives that enhance innovative working” 1. We need to build agency, CE and Tier 2 and 3 knowledge and capability for innovation i.e. training and development, resources, access to advice, CE incentives for collaboration, recruiting the right people, incorporate competencies in the Leadership Capability Profile, communities of practice, performance measures to identify and reward innovation, benchmarking, improved systems and processes. “
	6. Online crowdsourcing	Innovative ideas are not the preserve of just senior leadership. We need to open the game to a wider audience. An option is to provide state sector employees with an online crowdsourcing tool to suggest, collaborate, promote and rate innovative ideas to meet agency/sector/AOG challenges. The use of ‘gamification’ techniques to motivate and reward employees has proven to be very successful in the UK Dept. of Work and Pensions online crowdsourcing tool Idea Street.
	7. Flexible financing	Cabinet has already enabled 4 year budget plans and long term capital intentions planning, enabling agencies to take a longer term view. Further work involving the clustering of agencies around common customers and desired outcomes and the most appropriate supporting governance and financial appropriation and accountability systems is still required to reduce siloed approaches based on single agency outcome focus, incentives and accountabilities. This is linked to developing appropriate governance structures for collaboration and flexibility where multiple agencies are involved.
	8. Central Agency support	A common theme in agency discussions has been that Central Agencies and monitoring agencies tended to be risk averse, conservative and very compliance focussed which all act as disincentives for agency innovation. There is a greater call for central and monitoring agencies to behave more like trusted supporters and advisors rather than sceptical class monitors and to be more ‘innovation friendly’. Monitoring agencies need to catch agencies doing good, innovative work as opposed to catching them out when the rules are not being followed to the letter.
	9. Recognition and reward	Agencies, like people respond positively to reward and recognition. Therefore we need to showcase our success stories to show people that their innovative ideas are appreciated and that we want more of them. This requires consistent effort to showcase excellent practice via case studies being widely published and also through the various awards programmes e.g. IPANZ, HRINZ, CIPS etc. The IPANZ Prime Minister’s Award is a great example of government showing how much it seeks and appreciates innovative and collaborative behaviours. We should also be confident to publish case studies on agencies that have experienced and learned from failures as a means to communicate that it’s OK to fail if it leads to better things.
	10. Private sector access to Govt.	The private sector has a role to play in developing innovation within the public sector. A recurring issue is that it is hard for private firms or individuals to get to the right people in government with their bright ideas and innovative suggestions. Potential exists to use the online crowdsourcing approach as a more effective channel for SMEs and individuals to pitch their ideas and to collaborate on innovative ideas, products and services. Such public facing, web based channels have been used for similar purposes in the UK, Australia and the USA. Existing platforms such as Spigit, Open IDEO and Delib, could be explored.
	11. Procurement reform	A question asked is whether procurement regimes and practices act to stifle innovation. Practices such as principles based procurement, risk and reward sharing, engagement and dialogue with vendors outside the procurement process, greater use of private / public partnership models, and lifting the capability of procurement professionals are all options which should assist in removing barriers to innovation. A Government Procurement Reform Programme led by MED is already underway and should address some of the above.
	12. Right model for collaboration	Collaboration and diversity provide fertile ground for innovation. Whether incentives and structures exist for cross agency collaboration to readily occur is debatable. We need alternative collaborative structures that incentivise CEs / senior leaders, enable distributed control and governance; create shared platforms for collaborators; and enable high levels of trust and openness. Such structures range from informal staff led cross-agency meetings right through to structured and formalised joint ventures between agencies. Accountability for outcomes and budgets need to be factored into such arrangements.
	13. Innovation Centre or Hub	Innovation hubs such as the Whitehall Innovation Hub (UK) or Mind Lab in Denmark were established to tackle the cultural and institutional barriers to innovation across the public sector. In 2008 the Venturous Australia Report recommended the establishment of an Advocate for Government Innovation. Such institutions seek to build connection and capacity for innovation; develop innovation ‘know how’ and develop approaches to innovation diffusion. NZ should consider the establishment of its own innovation hub as a means to provide a centre of excellence for agencies to engage with and learn from.
	14. Benchmarking & performance	Continued and broadened use of tools such as BASS, PIF and other data driven examples of cross agency performance measurement, management and benchmarking. These help to set clear performance criteria, enable agency benchmarking and identification of best in breed to facilitate cross agency innovation and knowledge diffusion. These initiatives also enable a sector wide view of strengths and areas for improvement for government to take a systems view of. Encouragement should also be provided to agencies wanting to use alternative performance excellence criteria and evaluation systems.
	15. Monitoring and evaluation	Need to ensure we have the right monitoring and evaluation systems, processes and measures in place. Traditional monitoring and evaluation systems may not support and prompt required changes and may struggle to adequately measure levels of innovation potentially creating perverse incentives to continue operating in silos and focusing on outputs rather than outcomes.

¹ Everyday innovation: how to enhance innovative working in employees and organisations. NESTA Research report December 2009.