

## Innovation and Government

To the average punter, the phrase “innovation and government” is an oxymoron. (Yes, the “oxy” is intentional)!

In fact, most governments do attempt to promote business innovation, to the extent that they offer tax concessions, funding for R&D, and programs to assist entrepreneurs or to encourage industry collaboration. For example, many of the AIC’s services to small businesses are funded by government, since innovation and commercialisation are closely linked with economic development, a public good outcome.

However, governments struggle to be innovative themselves. The good news is that many do acknowledge they have a problem.

At the end of May, the Australian government released its report “Empowering Change: Fostering Innovation in the Australian Public Service”. The report suggested how to embed innovation in the Australian Public Service (APS) by examining how agencies, teams, and individuals can play a role in fostering innovation, and recommending changes in the current framework that would accelerate government innovation. Its key recommendations are summarised in Appendix I at the end of this article.

### BARRIERS TO INNOVATION

The report notes that “some powerful barriers, in particular political risk and public scrutiny, have a specific impact on public sector innovation. Governments and ministers are judged on their success and, in seeking to avoid criticism or failure, they can be conservative or resistant to innovative approaches. Political risk also contributes to risk-averse attitudes among public servants, and innovation is inherently risky. In the public sector, failures tend to happen in the full glare of public scrutiny, with consequent risks for the reputations and careers of public servants. It can be easier to avoid criticism by not taking risks.”

This is indeed telling. It means that for innovation to be successfully implemented in the public sector, significant public sector reform and culture change is required. Will the conditions or environment ever be such that significant change can occur?

In the words of the old maxim, no one ever got fired for buying IBM. To which anyone outside government would add, how often are people fired from the public service anyway?

Other barriers identified are the same as those inherent in a large corporation, and include failure of leadership; resource constraints; lack of direction and measurement; policy conflicts; hierarchical attitudes; silo mentality; legislative limitations; accountability concerns; and resistance to change. The report observes that “Some are a function of necessary public sector requirements for accountability, probity, impartiality and transparency and cannot be easily swept away. There is no panacea. Finding ways to overcome such barriers will take creativity and determination.” However, large corporations have shareholders too, and it is possible for a large corporation to demonstrate successful innovation and encourage a culture of creativity and risk taking, conducive to innovation. The example that immediately comes to mind is 3M, a \$23 billion company with over 76,000 employees and 55,000 products. Corporate size should not be an excuse.

### GOOD IDEAS, LITTLE ACTION, AND NO COMMERCIALISATION

Achieving innovation in the public service will take hard specific actions, and it is here we question whether there is real will. The report’s recommendations will be addressed by agencies as part of their operations or, where appropriate, as part of the ongoing reform work. On implementation, the report notes that “The red tape and siloed thinking of the past have no place in the high performing APS that our citizens expect and deserve. Many of the necessary

steps are being taken. In June 2009, the Australian Government commissioned the Government 2.0 Taskforce to identify how the public sector can better use the tools available for online innovation.” Although commendable, we believe structural change is needed to break down the silos that exist.

The report picks up a number of the recommendations the AIC made in its own submission to the review, particularly relating to practical initiatives that will assist small business, for instance, in the areas of how government conducts pre-procurement trials, in inter-agency collaboration, the removal of silos, and in-government procurement processes.

However, there is not a single mention of “commercialisation” in the entire document, which we believe is a great oversight. Sustaining ideas and diffusing ideas are frequently championed as essential to the innovation cycle, but the recommendations are silent in addressing how this can be achieved. This is the “action” part of innovation, where ideas are converted to operational reality.

Does the APS really believe it can do this on its own? For instance, if a new idea for environmental protection is underpinned by a novel IT application, developed by say an urban planner in one agency, how will that idea be diffused without also sharing that application as well? Who will support and diffuse such “software” underpinning the diffusion of ideas, improve it, and maintain (and sustain) it? Surely if ideas have sufficient value to instil and broadly diffuse within the APS, they will also have enough value to implement within other (perhaps state) governments, let alone internationally. There would seem to be plenty of scope for “commercialisation” and diffusion by external parties who could support and maintain the systems that are developed within government to underpin innovative practice. But given the number of academics who were consulted in preparing the review, perhaps it’s no surprise commercialisation was never thought about.

It’s also disappointing that the whole area of intellectual property management is overlooked - ideas management systems are recommended, but management of the resulting IP, where the value is actually locked in the intellectual capital, receives sparse mention. The APS is littered with applications such as the example above that underpin plenty of good ideas, but application support is not core business for an agency, and so many good ideas never survive the initiator of the idea (who moves on) nor see the light of day. It’s not until agencies are held accountable for understanding and managing the IP they create that they can truly leverage the potential value they possess and become innovation powerhouses.

## APPENDIX 1: SUMMARY OF REPORT

The report favours a conceptual framework for the innovation cycle, expressed as a series of phases:

1. Idea generation and discovery
2. Idea selection
3. Idea implementation
4. Idea diffusion.

These phases provide a way of thinking about the aspects that make up the innovation process. Consideration can be given to where the innovation process in an agency or across the public sector may be weakest or strongest and, therefore, where intervention in the process can most usefully be applied.

This conceptual framework provides a good base for understanding and examining innovation, but one stage that can be usefully drawn out between implementation and diffusion explicitly notes the importance of *sustaining* innovation. In the absence of a profit motive, innovations cannot be expected to simply continue without assistance or work to embed them once they have been initially implemented. Therefore, attention should be paid to integrating innovations into processes and practices and ensuring that they are sustained

efforts, rather than being introduced and then failing not because of lack of results, but because of lack of support.

Incorporating a phase concentrating on sustaining produces a five-phased innovation cycle:

1. Idea generation—finding, adapting or creating the ideas
2. Idea selection—picking which ideas to use
3. Idea implementation—putting the ideas into practice
4. Sustaining ideas—keeping the ideas going
5. Idea diffusion—spreading the ideas and the insights about them

It is also important that agencies collaborate with one another (and also with agencies in other tiers of government) to maximise the sharing of best practice and other effective approaches throughout the public sector. Dissemination of innovative ideas and approaches can help governments to avoid 'reinventing the wheel' and maximise the value of investments in innovative activity.

### Strategy and culture

#### RECOMMENDATION 1

Innovation needs to be part of an agency's strategic thinking and planning. To implement a culture of innovation across the APS, Agency strategic plans should include strategies to identify and pursue innovative options and solutions. A process such as the three horizons approach is an example of how this might be approached.

#### RECOMMENDATION 2

Flow of information facilitates innovation and is a key to greater innovation in Government. While there will always be some constraints on information sharing in the public sector, the APS should adopt a culture of openness in the development and implementation of government policy. This will require a paradigm shift in the approach of many agencies where much development of new ideas is done in a climate of secrecy. In particular, the APS should adopt innovative practices and increased openness in the development of new policy proposals through reforms such as:

- introducing outside experts into the policy development process (e.g. as participants in inter-departmental committee processes)
- transparent consultation processes
- reviewing the rationale for data restrictions (including by the Australian Bureau of Statistics, the Australian Taxation Office and other key public data collections) as greater availability of data will drive innovation
- undertaking detailed design and implementation post the announcement of an initiative, in consultation with users and stakeholders
- identifying the risk associated with an innovative project or initiative upfront and how it will be managed
- including analysis of the new policy development process in the evaluation of program and delivery outcomes.

#### RECOMMENDATION 3

A specific feature of the public sector environment is political risk and its management. To facilitate innovation, particularly where the innovation is radical or large-scale and where risks are high, Agencies should consult with Ministers to identify and agree on a risk environment to enable innovative approaches. This could include a stage gate approach, such as the two stage approval process used for defence procurement to manage risk.

### Leadership

#### RECOMMENDATION 4

Leadership is a critical factor in creating a more innovative public sector. Building a culture of innovation in the public sector will require leadership from agency heads and the SES. This should be facilitated by:

- equipping APS leaders with the requisite tools and training
- explicitly adding innovation to the APS Values and in the Integrated Leadership System
- using innovation as a criterion in leadership, recruitment and performance management systems
- identification of agency objectives for innovation performance
- annual reporting of innovation performance by agencies
- supporting communities of practice within agencies and across agencies—groups of professionals exploring common issues
- encouraging team approaches to solve problems creatively—across agencies and including external stakeholders, customers and suppliers
- facilitating openness to new ideas and influences through formal secondment or exchange programs for staff
- identifying innovation champions for particular projects or issues.

#### RECOMMENDATION 5

The public sector does not have the competitive drivers of innovation evident in the private sector. Public sector agencies therefore need to take a more proactive approach to incorporating innovation into their operations. To facilitate the adoption of innovative practices in the APS, agencies should use the Innovation Toolkit to engage staff and build knowledge and experience of the innovation process. The Innovation Toolkit sets out approaches that agencies can adopt to capitalise on opportunities for innovation and, over time, embed a culture of innovation within their organisation.

#### Systemic/structural issues

#### RECOMMENDATION 6

To identify and address systemic barriers to innovation across the APS a mechanism (or mechanisms) should be established to challenge innovation barriers in a transparent manner. There are models which could be adopted and which are used within government and the private sector. The Band 3 team proposed under recommendation 11 could be charged with establishing and reporting on the effectiveness of such a mechanism.

#### RECOMMENDATION 7

Funding processes can act as a disincentive to innovation by transferring all the risks to the innovating agency. It is recommended that central agencies should review funding mechanisms with a view to removing disincentives to APS innovation and report findings to the Band 3 SES team (Recommendation 11).

#### RECOMMENDATION 8

Collaboration and experimentation are two key inputs to realising innovation. To embed these into the public sector, the APS should establish a collaborative experimentation program, modelled on the Danish MindLab, to develop and trial solutions to significant and cross agency problems in areas including policy and service delivery. A key activity under this program would be the development and implementation of collaborative pilots and trials.

#### Resourcing and managing innovation in the APS

#### RECOMMENDATION 9

Technology is re-shaping public interactions with business and government and increasing public expectations of engagement and service delivery. To realise these expectations and to capture the value of engagement, agencies should be timely and smart adopters of:

- Web 2.0 tools and approaches
- Ideas Management Systems

The work of the Government 2.0 Taskforce provides key directions and recommendations on Web 2.0 issues.

#### RECOMMENDATION 10

Procurement can foster innovative solutions for public sector challenges. It is recommended that agencies facilitate innovative solutions by focusing on outcomes, rather than specifications, through:

- being open with potential suppliers about what the agency is trying to achieve and why.
- engaging with the market prior to commencing the procurement process to identify the problem to be solved and gauge what the market can deliver.
- establishing a secure portal for the receipt of unsolicited innovative proposals where potential suppliers can suggest innovative proposals without risking loss of intellectual property or competitive advantage. 1
- using a stage-gating approach to invite and filter proposals for larger procurement processes (Recommendation 3) and so maximise opportunities to develop innovative ideas.

#### RECOMMENDATION 11

To champion thought leadership, training, coordination of action, and to maintain up-to-date expertise on innovation in the public sector, the APS establish a team of SES Band 3 officers. This team would report to the MAC on priority areas for action on an ongoing basis and would be supported by a secretariat drawn from the APSC, PM&C and DIISR. Priority areas for action to include:

- establishment and maintenance of an Innovation Toolkit website to support innovative agencies and public servants
- formalisation and support for innovative public sector communities of practice.

Recognition, sharing, learning

#### RECOMMENDATION 12

Because long term value is captured through dissemination and diffusion of innovations, the APS and its agencies should institute mechanisms to recognise, celebrate and share innovation efforts, including:

- supporting and developing the nascent Public Sector Innovation Network (formed through the development of this report) to create a knowledge exchange and innovation resource for the APS
- an annual public sector innovation conference, bringing together public sector innovation practitioners to share experiences of innovation processes and outcomes
- awards (possibly in conjunction with the conference) for innovation in the public sector, recognising the efforts of innovative individuals, teams and agencies
- prominent reporting of APS innovation activity—through mechanisms such as agency annual reports, a potential innovation section of the APSC *State of the Service Report* and proceedings of the annual conference
- partnering with academia to study and share innovative learnings about public sector innovation, through mechanisms such as the strategic relationship with the Australian National University (announced by the Prime Minister on 27 August 2009).