

Innovation – the act of trying something new

Innovation – or the act of trying something new – is considered by many to be the necessary spark for many of the public sector's policies and programmes. While the word "innovation" has become ubiquitous in annual reports, speeches, and statements of intent, *PUBLIC SECTOR* asked some of today's thought leaders and practitioners to delve beneath their organisation's vision statements and tell us what innovation means to them and how they encourage it in their own organisations.



INNOVATION IN THE PUBLIC SECTOR: CHALLENGES, OPPORTUNITIES AND RISKS

By Professor Gary Banks,
Dean of the Australia and New
Zealand School of Government

Innovation boils down to doing new things, or doing old things in new ways. This encompasses changes in products, processes and relationships. Much of it involves importing ideas generated elsewhere and finding ways of making them work in one's own organisation. The light bulb moments of pure invention are pretty rare.

I sometimes feel the word innovation has been high-jacked by the scientific community and been equated with technological invention. Technological change is important, but it's rarely the most important source of innovation in an organisational setting. Nor is it the most important source of performance improvement. It's

better to think of innovation more broadly as simply synonymous with affecting change – hopefully for the better (though not all innovations turn out well).

A useful framework for thinking about innovation and how it comes about has three dimensions to it. First there are the pressures and incentives facing people to be innovative; second, how capable people are in responding to those incentives; and third, but not least, the scope or flexibility to actually implement desired changes.

Putting this together, innovation only occurs when people want it or need it, and when the facilitating conditions are right. Skills and knowledge are needed, of course, but also an awareness of opportunities, and an openness to changes which often can be

confronting and disruptive. Successful innovation depends on having good people around, but it is much more likely to happen when people are challenged to do better and have opportunities to learn from each other. Such opportunities will arise within an organisation or work teams, but they can be even more powerful when people who normally don't work together come into contact with each other.

A key source of such learning in the public sector in Australia has been our much maligned federal system of government. While it could no doubt work a lot better, not enough recognition is given to its track record as a proving ground for administrative innovations. Our casemix system for funding hospitals [the funding model used for the reimbursement of the cost of patient care] is a case in point. It started in Victoria, was adopted by a few other states and ultimately got picked up nation-

ally. Over the years, there has also been a fair bit of trans-Tasman learning and innovation within the public sector – in both directions. One recent instance is the departmental capability reviews. Another is food regulation. A third is the establishment of the NZ Productivity Commission, which is already starting to make its mark.

Appealing to the best and the brightest

When it comes to building capability, however, I am concerned that we seem to have been struggling – at least in Australia – to keep the quality of the public service where it needs to be. People have more employment choices than ever before and more scope to earn "big bucks" in the private sector. And they have been voting with their feet. Why would the best and brightest today want to become (and remain) public servants?

Fortunately, there is a good

answer. Most people enter the public service for just that purpose – to be of service to the public. When public servants are asked about what motivates them professionally, they often remark that it's to make a difference. But I am not sure their experience on the job always validates that choice. Good people can be put off by bad systems. The best public servants need to feel that their ideas count and want to do more than be passive implementers of the political programmes of the government or minister of the day. I think the most fundamental challenge confronting innovation in the public sector is having innovative people in settings that reward innovative thinking.

Transforming the sector

Enormous opportunities already exist to transform the public sector; for example, by using advances in data management and communications technology, or by adapting customer relationship models from the private sector. Take recent efforts in Australia to “nudge” citizens’ choices in the right directions through provision of web-based organisational report cards. As more information becomes available about services, people become empowered to make better choices. We are beginning to see this in relation to the new “my school” data. Such informational mechanisms will hopefully create momentum for ongoing improvements in public service provision, and in some areas, may help clarify whether government should be participating in service delivery at all.

Innovations often come from unexpected quarters; through lateral thinking or as people put together things that hadn't been associated previously. For example, a decade ago, when local governments in the East Gippsland region of Victoria were tackling

the problem of a paucity of transport for poorer people, someone suggested tapping into a hitherto under-used resource – the fleet of school buses that were lying idle most of the day. After some negotiation with the bus operators, a modestly priced day-time service came into being, which has been greatly utilised by older citizens and the unemployed. (This success story is detailed in ANZSOG's case, East Gippsland's 'Let's get connected' project, available at www.anzsog.edu.au).

Risk – the four-letter word

Any organisation deviating from established ways of doing things risks the possibility of failure. While private companies will be prepared to chance their arm, and even invest large amounts of money on innovations that might not work out, politicians and public managers are far more risk averse. Given the source of their money and political accountability for its use, that is probably inevitable. The flipside of this incentive system, however, is a brake on innovations that could deliver taxpayers greater value for money over time, even if not all succeed.

Ironically, undue risk avoidance can in itself become one of the biggest risks to organisations. It means that changes are more likely to be reactive than proactive, to come about only in response to a crisis or issue. In these circumstances, the costs of change are often higher and the scope for innovation narrower. In the natural environment, it's a matter of adapt or die! The choice is rarely so stark in the world of government. But the opportunity cost of retaining old modes of behaviour can become very large over time. It's important, therefore, that governments provide room for risk taking. And of course, there are ways to be innovative while still being cautious. One



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is by introducing better project management around innovations, so that changes are properly scoped, risks are identified and openly discussed, and accountabilities made explicit. The different experience with public-private partnerships across Australia has shown how important this can be and how things can go wrong when these things are done poorly.

Since innovative ideas are as likely to emerge as much from the bottom of an organisation as from the top, it is important that people be encouraged and facilitated. That can be challenging for hierarchical public sector departments, where instructions tend to come from on high. And this has arguably become exacerbated over recent years by an excessive ethos of “responsiveness”.

Taking the lead

It follows from what I have just said that I see leadership as the key to innovation in the public sector. Public sector leaders, who recognise the value of creative thinking and interaction, are more likely to encourage it and pursue innovation in their own organisations.

ANZSOG's notion of innovation and strategy is that it happens best when those who are leading it engage in networks where problems, solutions, and political realities can be openly discussed. Someone once coined the expression “policy primeval soup” to convey this. By facilitating ongoing conversations among the brightest minds across governments, we see ourselves as helping to encourage and build real capacity in public sector innovation.

Working together

Currently, some of the more interesting innovative activity around public service provision in Australia is happening at the state level. As noted, this is being spurred by the imperative to reduce budget deficits. An important stream concerns ways of harnessing community capacity and private sector business acumen to improve efficiency and effectiveness. These have drawn on lessons emerging from an extensive academic literature on this topic from Europe, North America and elsewhere.

One of the more important lessons is that much can be gained from reforms focused just on service logistics, without disrupting the interface with citizens that can lead to public rancour. So, for example, traditional relationships between families and schools don't change, but the management of school buildings and other procurement systems do. Likewise, patient-doctor relationships are sustained in line with common expectations, but efficiencies are pursued in the range of other, more standard activities, that create well-functioning hospitals and health systems.

An overdue development is increasing client focus in public service delivery. After all, this has been a key driver of organisational success in the market economy. In >

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the public sector too, it can obviously prompt insights that would not emerge if those involved only viewed things from a producer perspective – as parodied in “Yes Minister” as the hospital without patients. One small, but significant instance of this is motor vehicle licensing and registration. As many of us know from painful experience, renewing car registration used to entail cumbersome procedures and multiple

queues at central-city offices, with big demands on peoples’ time. Aided by technology, the relevant agencies have come up with ways to make it much easier for everybody concerned – notably through online transactions and the contracting out of technical inspections.

Another good example of this kind of thinking is the Ministry of Social Development’s Linwood Community Link in New Zealand

which is a past winner of the IPANZ Gen-i Public Sector Excellence Award in Working Together for Better Services. This is a concept designed to bring together many of the services needed to tackle the most complex problems facing families and communities, which grew out of localised efforts to apply a multi-agency approach.

These and other examples illustrate what the public sector

can achieve if people have good leadership, the right mind-set and sufficient opportunity to serve the public better.

Professor Gary Banks AO took up his role as Dean and CEO of ANZSOG in January 2013. He brings to ANZSOG wide experience and deep understanding of major public policy issues. Prior to this role he had a well-respected leadership record at the Australian Productivity Commission. ■



The Linwood Community Link is an innovative approach to bringing services to the people who need them.

INNOVATION – STEP BY STEP

The Tertiary Education Commission’s new Chief Executive Tim Fowler explains to writer KATHY OMBLER that innovation is not just about the newest technology or the big breakthroughs – it’s also about the day-to-day actions people take to improve performance.

TEC Chief Executive Tim Fowler is sold on the value of innovation, for both within the TEC and across the wider tertiary education sector. “Innovation for us is critical because it’s vitally important for the performance of the economy and the country more generally. It’s everything from how we grow exports to how we keep improving the performance of the public sector to how the All Blacks keep evolving their game.

“It’s the big stuff and it’s the little stuff and I think the trap is that sometimes people only regard

innovation as the iPhone of the day,” he adds.

“In my view you can get trapped into thinking innovation is about large breakthroughs and technology. In actual fact, the thing that we are primarily investing in is people, and the skills and knowledge they are developing as citizens that we want them to use to be able to not only contribute to our country but also to grow the economy.

“If you regard innovation as breakthroughs and baby steps, as a mind-set as well as a series of outcomes then I think that gets

you into a more interesting space.”

That’s the wider picture, then for what Fowler sees as a two-fold task for innovation in the TEC. “One task is to look at what the TEC is doing internally, in its own business, and to be the best we can be. The second task is to consider what we are seeking to do on behalf of New Zealand, investing \$2.7 billion every year (in tertiary education), monitoring its use, and providing information and advice,” he says.

Looking internally, Fowler believes it’s all about normalising innovation. “It’s an attitude. The more you regard innovation as this special thing that only some people who are highly qualified in technology can do then I think you’re on the wrong track. It is that, but

it’s also a whole variety of other large and small things.”

Systems, relationship management and communication with the wider sector all come to Fowler’s mind. “I’m a big fan of looking at ongoing business and system improvements. In terms of how we are going to extract that out of our teams, I think a lot of it boils down to trust. It’s freeing people up, freeing up that mind-set to make valuable changes.”

Having clear business objectives for ideas development avoids unnecessary risk, he adds. “You need to have good parameters, process governance and accountabilities, so there is really good rigour attached to it. It can’t just be open slather.

“You have to define the playing

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field so people know the rules of the game. That creates safety for the organisation, I think also for the individuals involved, so they know for a fact they can say, that's going to work or not."

Considering the wider sector, Fowler says questions are being posed every day around where tertiary education is headed.

"One is around the rapid emergence of mass online and open courses, and what that means to traditional models of tertiary education. In addition, how do we address internationalisation?"

"Institutions and vice-chancellors of various educational organisations are seeking to innovate, whether it's teaching, research or their own business and governance practices, to deliver the best possible education," he says.

"The fact that greater perfor-

mance and improved completion and qualification rates were achieved across the sector during the past four to five years of global recession supports the view that innovation is alive and well within the sector.

"The question for us is what is the TEC doing to support that innovation, what are the signals we're sending to the sector, what are the incentives that we're providing, and what is the environment we're creating to see that happen?"

Fowler says the process is just beginning, and the TEC is keen to have "that conversation" with the sector. After just a few weeks in the job, he already has huge confidence in his own people's ability to think innovatively.

"One of the things I've been super impressed by since I have been here is the quality of the

people in the organisation. I am absolutely convinced that many of the innovations that could be made in this place are well known to individuals here already. It is a case of corralling that."

It is really important that the TEC actively embraces innovation not only for the organisation itself, but for the institutions and people it serves, he says. "We are responsible for managing the Government's annual funding for tertiary education, which is why we have sometimes been described as the 'banker'."

He says in the narrow definition of this role it might seem like the TEC has mainly transactional relationships. "But if you were to think of the TEC as a bank with a commitment to innovation, then I think that gives you a bit of a feel for the opportunity for us and what that could mean for the people we serve.

"If anything, we would say that every institution and every student that we are technically investing in when we are investing tertiary spending is an investment in innovation. And why shouldn't it be?"



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