

Innovating Welfare

Leading fresh thinking in the public sector

By Christian Bason

Summary

Welfare innovation happens when a good idea is implemented and creates value for society. The new book "Innovating Welfare" focuses on the key innovation challenges and dilemmas in the modern public sector – and on the tools which can help address them. The book takes its departure in the Danish example, but is also rich with case examples and study results from a range of modern economies, including the UK, US, Norway and the Netherlands. Its messages are relevant for any public manager, employee or student of the public sector.



This summary in English has been prepared by the author.

An Innovation Agenda for the Modern Welfare State

Wicked Problems Call for Public Sector Innovation

Even in a highly developed welfare state such as Denmark, wicked social and economic problems persist. Increasing scores of chronically ill, an ageing and more needy population, insufficient integration of refugees and immigrants, too many administrative burdens on enterprises, lack of progress in secondary school achievement, and looming environmental challenges – to name a few. None of these problems are easily dealt with; all of them require fresh thinking and bold public leadership.

A Double Innovation Challenge

Meanwhile, public organisations in Denmark and in other modern economies have to handle the many demands that arise from on-going public sector reforms on the one hand, while tackling the pressures of a number of socioeconomic driving forces on the other hand. In Denmark, for instance, public reforms include a major restructuring of local and regional government, a national Globalisation Strategy, a Welfare Reform (to secure long-term public finances in the face of demographic change), a Budget Reform, and a "Quality Reform" of public services. External driving forces include factors such as lack of qualified labour, demands to raise public sector productivity, new technology, media pressure, increased intra-public competition, globalisation, external shocks, and new demands from citizens and businesses. This double challenge underscores a need for more radical innovation in public organisations.

Innovation Focus is Too Internal, Incremental and Fragmented

Several studies show that the Danish public sector's innovation capability is primarily focused on internal administrative processes, rather than on generating new services and better results for society. New ideas mainly arise from internal "institutional" sources (mostly public managers themselves), and not via interaction with citizens, businesses or other external stakeholders. Incrementalism is the rule rather than the exception. New thinking happens by chance and against odds, and the possibilities in a more strategic, open and "systemic" approach to innovation across public organisations and sectors are not realised.

Huge Potential for Increased Public Sector Innovation

Public sector innovation does take place – every day. A string of case examples from Denmark, the UK, Norway, the Netherlands, and the US illustrates that more open, radical, service- and results-oriented public sector innovation *is* possible. The book underlines that the future challenges that face the welfare state can only be handled adequately if the full potential of welfare innovation is unleashed.

A Story of Public Sector Innovation in Three Parts

The book is organised in three parts.

Part One: Foundation presents key theories and analytical approaches to public sector innovation. What is innovation, and what are its sources? Which understandings and strategies for innovation makes most sense when we speak of politically governed organisations? What is the difference between radical and incremental innovation, and how does one distinguish between process- and product innovation? And last, but not least: How can the value of innovation be measured in a world where there isn't one simple bottom line? Four "public innovation bottom lines" are presented: Productivity, service, results, and democracy. The various theoretical dimensions are tied together in a strategic model, which is used as a frame of reference throughout the book.

Next, the double innovation challenge is discussed. This challenge has to do with an external environment in rapid movement. As mentioned, a range of contemporary social, technological and economic driving forces are challenging the public sector. The chapter illuminates how public organisations need to adapt – sometimes radically – in order to tackle this new reality, such as new values among citizens, increased media pressure, globalisation, demographic change, etc. The challenge is double, however, because a number of changes are taking place within the internal world of the Danish welfare state as well. The pace of reform within public organisations (in part as a consequence of the external driving forces) has never been higher. But the reforms require a high degree of change and adaptation on all levels. The reforms, in and of themselves, trigger a higher pressure for innovation.

Finally, an overview of the key elements of welfare innovation is presented: An analytical model for how to increase the innovation capacity in the public sector. Together with the strategic innovation model, this model constitutes the analytical foundation of the book, and sets the scene for the second and third parts of the book. The core of the model is the *Innovation Pyramid*, which consists of four central levels which must be aligned to enforce each other and increase the public sector's innovation capacity. There has to be an explicit innovation effort at each of the following levels:

- political and structural framework
- strategy and organisation
- leadership and employees
- users (citizens and businesses).

This first part of the book includes Chapters 1, 2 and 3.

Part Two: The Innovation Pyramid discusses each of the four levels in detail. Each level is treated in a separate chapter, and includes analyses of barriers and dilemmas, as well as potentials and possibilities. In addition each chapter introduces a number of tools – or approaches – which can structure the public organisation's innovation efforts.

Political and structural framework concerns the overall framework conditions for the public organisation, such as legislation, political priorities, possibilities for public-private partnerships, financial resources, etc. These factors set the stage for innovation in the public sector, across policy domains and across levels of governance; these are also the factors which constrain public managers, and which distinguish the public sector most fundamentally from the private sector.

The organisational level focuses on the organisational barriers and potentials which respectively prohibit and promote the ability to innovate. How can an innovation strategy be formulated, how can the on-going innovation work be anchored in the organisation, how is a balance struck between development efforts and daily service delivery? Which methods and tools can be applied?

Without leaders and employees who generate new creative ideas, who try new approaches, and who dare run a risk – sometimes against very bad odds – no innovation will happen. The third level of the

Innovation Pyramid focuses on the people who carry the innovation capacity in the public sector. What is good innovation leadership? What is required of public employees in order for innovation to succeed? Is it really necessary to eliminate “a culture of zero mistakes”, or can high quality delivery in fact thrive alongside a strong innovation drive? How can a culture of innovation be developed, which encompasses both security and risk? Which role do themes such as diversity management and strategic competence- and talent development play in strengthening innovation capacity?

Finally, the fourth level concerns *the users*. It is the users – citizens, businesses and institutions – which are at the receiving end of public policy, administration and delivery. The impact which public innovation has on the users is obviously hugely interesting – it accounts for a major part of the public sector innovation “bottom line”. But at the same time there is a strong and growing recognition that users can also be sources of inspiration and a driving force for public sector innovation. New analytical approaches, processes and tools – drawing from disciplines such as anthropology, sociology and design – can be used to gather new knowledge about the true preferences of users, involve them in innovation in practice, and thereby qualify the public policy- and service development effort.

It is a key point in the book that a conscious effort on *all four levels* of the Innovation Pyramid is necessary, in order to really shift the public sector innovation capacity to match the external and internal drivers for change.

Part Two covers Chapters 4, 5, 6 and 7.

Part Three: Cross-Cutting Perspectives examines three different elements of innovating welfare, which are associated in different ways with the Innovation Pyramid: A process and measurement perspective, a top management perspective, and a global (societal) perspective.

The process and measurement perspective zooms in on the individual steps of the innovation process, from idea generation to selection, prototyping, scaling and implementation. The chapter also discusses innovation measurement: How can one assess an organisation’s innovation efforts, and how can one measure the final outcome – the results of innovation? Can performance measurement and management – used correctly – even catalyse increased innovation power? Can measurement of the citizens’ service experience become a much more integrated part of public management?

The top management perspective has to do with the public top managers’ personal innovation agenda. Without ownership and a will to innovate at the highest level, initiatives lose steam, resources aren’t available, and potential successes are never realised. The top manager *must* be the foremost ambassador of the innovative organisation. But where does her day-to-day inspiration come from, what motivates the manager to take risks, and what is the reward when innovations succeed? Which barriers, pressures and dilemmas frustrate, and which generate new energy? How can the top level manager execute the new ideas so they are realised in practice?

The global perspective considers Danish public sector innovation in an international context. How can public innovation contribute to the country’s competitive power? Does a particular Danish model for public sector innovation exist? If there is such a model, how can the country become better at leveraging its key strengths, and compensate for its weaknesses? Are there comparative advantages in public innovation? What is the innovation agenda of the future?

These three perspectives include the final chapters 8, 9 and 10.

Sixteen Avenues to Stronger Innovation Capacity

The book suggests a total of 16 tools that – if applied in a coordinated, aligned manner – can strengthen the innovative ability of the welfare state dramatically. The tools are found at and around the four levels of the Innovation Pyramid, covering framework conditions, strategy & organisation, leadership and employees, and users.

Public framework conditions

Innovation legislation. There is a need for creating far better opportunities to dispense from existing legislative limits. Innovative organisations should be able to apply for political approval (with the relevant State Secretary or local government body) in order to test new methods, processes and services.

Public innovation incubators. Free funding for innovation – within targeted sectors – can help give a last, important push to realise the good ideas that grow among public managers, employees and users. Public innovation incubators should be established, perhaps as joint ventures with private enterprises, research institutions and the third sector – supported in part by risk-friendly public co-funding. An ambitious programme for user-driven innovation was initiated in Denmark in 2007, which will address this challenge, at least in part.

Supplier-driven innovation. Strategic partnerships between public organisations and their suppliers in the private sector can be a source of innovation, if managed wisely. The key challenge is to see partnerships as an “opportunity contract” that can be the source of leveraging the partners’ competencies and resources when new challenges arise. A focus on private suppliers’ core competencies and how they can become a strategic match for the public service delivery in areas such as employment, social services, and health care is a way forward.

A “musketeer oath” for public innovation. It is time to enter a musketeer oath of innovation between politicians and public top managers, and between top managers and their organisations. The political culture is less and less geared for long-term and perhaps risky innovation processes. But innovation sometimes demands a long-term, continuous effort, lasting several years, including idea generation, experiments, tests, pilots, and focused implementation, before new solutions are finally realised and generate the intended value. Such long-term efforts require loyalty from the political and administrative leadership. Visionary politicians and top level managers must be willing to blend blood on their will to see the innovation process through – all the way.

Organisation and strategy

Innovation strategy. An enormous potential could be unleashed if more public organisations were aware where their future need for innovation lies. Such an understanding can trigger concrete development initiatives – from changed organisational structures to focused competence development of key leaders and staff, to new digital solutions and work flows which can increase the innovative capacity. The book suggests four steps to an innovation strategy.

Public innovation partnerships. Public organisations must become much better at forging strategic partnerships with their peers in the public sector – across policy domains and across levels of governance. Orchestrating strategic partnerships between public authorities hold a potential for tackling society’s “wicked problems” with much greater competence, power and focus than any one organisation is capable of. In the information age, organisational silos cannot be allowed to stand in the way of creating more seamless and joined-up services for citizens and businesses. Any given public organisation should have at least one targeted innovation partnership – and continuously scan the horizon for new relevant partners.

Gearing the organisation’s innovation capacity. Public organisations must identify the tools that match their needs for anchoring innovation – whether it is a flexible project organisation or the establishment of

a dedicated innovation unit. Second-generation innovation units are closely integrated with the organisation's core mission, they are user-centred, team-based and focus on real value creation.

Digital public business development. Applying new technology is an extremely important tool for public sector innovation; however, public organisations have until now focused overly on generating efficiency gains through new technical solutions, rather than radically improving services for citizens and businesses. While making such a shift towards more service-oriented solutions, public organisations must at the same time realise the potential in new mobile technology (e.g. texting, mobile video) and communication forms (chat, geographical information systems, etc.).

Lean management. Lean management is a process innovation tool. Experience in Denmark and abroad has shown that if applied with care and a real long-term focus on continuous improvement, *lean* can increase organisational efficiency, raise service quality and improve employee satisfaction. However, lean cannot stand alone. It is one approach among others for organisational change, and cannot be implemented successfully without strong ownership both among top management and front-line workers.

Leadership and employees

Public leaders must focus more on innovation. There is a need for more "innovation leaders" and fewer "controlling managers" in public sector organisations. Public mid-level managers and heads of institutions must be made competent to develop modern workplaces, so they in their everyday practice make room for innovation, fresh thinking and systematic renewal. Innovation and positive change must be recognised as the public manager's responsibility, also on the important operational level, where new solutions are adapted to the local context. Managers at the institutional level are "knowledge engineers" who translate innovations into workable daily practices. But they are also responsible for contributing to scaling and sharing innovative solutions. Tools such as demand-incentives, documented results, sponsor-organisations, "road shows", and leveraging professionals and their organisations are among the activities which – together with a large amount of persistence and patience – can be used to spread innovative solutions in the public sector.

Employee involvement and innovation culture. Employee-driven innovation is a reality in the modern workplace. Experience shows that employees in public organisations, from state agencies in inner Copenhagen to day-care institutions in Western Jutland, hold a massive potential for new ideas and solutions – if only they are asked. In the end, it is the public manager's responsibility to involve the staff in the strategic development of the organisation and to create a culture where involvement and co-development is natural – also across professional boundaries.

Diversity. A diversity of educational backgrounds, age, gender and ethnicity are – if well-managed – drivers of innovation in all types of organisations. Public sector organisations in Denmark in particular are not very diverse and they can most likely boost their innovation capacity significantly by taking a much more pro-active approach to increasing diversity in a broad sense.

Strategic competence- and talent development. The effort to attract, retain and develop staff with the right skills and competencies in the face of a "war for talent" is crucial for the future ability of public sector organisations to become more innovative. Taking a more active and risk-seeking approach to their activities might in itself make many public organisations more attractive to future talent.

Innovation incentives. Perhaps most public employees haven't chosen their career because of the salary. However, experience shows that employees in public organisations also can be motivated by results-based salary and other benefits, provided that the incentive model is the right one. In Denmark, for instance, there have been positive results from using performance pay based on group results among social workers. There is no excuse not to work actively with creating positive incentives for generating ideas and making innovation happen, also in the public sector. *Especially* in the public sector.

Users and measurement

User-centred innovation. Experience from a number of countries, and the first experiences from Denmark, show that much more systematic analysis of user needs and -behaviour, and active involvement of users in the development processes of public organisations, hold a significant innovation potential. However, public managers and employees must learn new ways of involving users directly – possibly supported by special innovation units – if user-centred innovation is to become a reality in the public sector. Anthropology and service design are among the relevant competencies that must be leveraged.

Measuring and managing for results is a tool for driving innovation, and for obtaining innovation feedback. Applied in the wrong way, measuring and documenting public efforts can kill innovation. But used intelligently and pro-actively, performance management can be a catalyst for organisational renewal. Innovative organisations need to measure their internal innovation efforts, the user experience of their service delivery, and their results. In particular, the ability to shift emphasis from inputs, activities and outputs – and to manage the public effort for results – is an important innovation tool. Results-based management released energy and motivation in the organisation, and is a tool to find new and better solutions to society's problems. Combined with systematic and continuous experimentation, results-based management is an important way forward.

About the author

Christian Bason (36) is M.Sc. in political science and head of MindLab, an inter-governmental unit for user-centred innovation. MindLab was established January 2007 in collaboration between the Danish Ministry of Economic and Business Affairs, the Ministry of Taxation, and the Ministry of Employment. Christian Bason was until then head of the public organisation & leadership practice of a major Danish management consultancy. He is the author of numerous columns and articles, as well as the books "Put the Citizen into Play – How to Involve Citizens and Businesses in Public Sector Innovation" (Gyldendal Public, forthcoming March 30th 2009) and "New Faces of Work – Leading the Employee of the Future" (Børsens Forlag 2003).

About the book

Velfærdsinnovation – ledelse af nytænkning i den offentlige sektor

Published by Børsens Forlag, June 2007. 350 pages. ISBN: 978-87-7664-181-8