



Australian Government

**EMPOWERING CHANGE:  
FOSTERING INNOVATION  
IN THE AUSTRALIAN PUBLIC SERVICE**

MANAGEMENT  
ADVISORY  
COMMITTEE

9





EMPOWERING CHANGE:  
FOSTERING INNOVATION  
IN THE AUSTRALIAN PUBLIC SERVICE

MANAGEMENT  
ADVISORY  
COMMITTEE

9

© Commonwealth of Australia 2010

ISBN 978-0-642-72633-9

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth. Requests and enquiries concerning reproduction and rights should be addressed to:

Commonwealth Copyright Administration  
Attorney-General's Department  
Robert Garran Offices  
National Circuit  
Barton ACT 2600  
or posted at <[www.ag.gov.au/cca](http://www.ag.gov.au/cca)>

## CONTENTS

---

PREFACE	III
EXECUTIVE SUMMARY	v
<b>INTRODUCTION</b>	<b>1</b>
<b>CHAPTER 1: INNOVATION–A FRAMEWORK</b>	<b>3</b>
<b>CHAPTER 2: WHY INNOVATION IS A PRIORITY</b>	<b>11</b>
<b>CHAPTER 3: THE STATE OF PLAY</b>	<b>17</b>
<b>CHAPTER 4: BARRIERS TO INNOVATION IN THE APS</b>	<b>29</b>
<b>CHAPTER 5: INNOVATION–SOURCING AND PARTNERING</b>	<b>47</b>
<b>CHAPTER 6: IMPLEMENTING CHANGE– EMBEDDING INNOVATION</b>	<b>61</b>
APPENDIX 1: TERMS OF REFERENCE	78
APPENDIX 2: PROJECT PROCESS	80
APPENDIX 3: INNOVATION: DEFINITION, PROCESS AND CHARACTERISTICS	88
APPENDIX 4: THE PUBLIC SECTOR INNOVATION TOOLKIT AND CHOOSING THE RIGHT TOOLS	96
APPENDIX 5: ADDITIONAL CASE STUDIES	112
APPENDIX 6: THE THREE HORIZONS FRAMEWORK	116
APPENDIX 7: MECHANISMS OF CHALLENGE	117
ACRONYMS AND ABBREVIATIONS	121
BIBLIOGRAPHY	122

## SUPPLEMENTARY MATERIAL

---

Annex 1. Assessing Policies, Programs and Other Initiatives to Promote Innovation in the Public Sector: International Case Studies is available at <<http://www.innovation.gov.au/psi>>

---



## PREFACE

---

Innovation is at the heart of good public administration. A high-performing public service is relentless in its commitment to continuous improvement. It never assumes that the current policies, processes and services are the best or only solution.

The opportunity for innovation attracts many to the public service. These Australians want to help make changes that benefit the wider community, and empower citizens to help themselves.

Without innovation, the public sector is destined to disappoint – both those it serves and those it employs. An effective public sector must be one that recognises, rewards and nurtures innovation.

The Australian Public Service has been the source and incubator of many significant innovations. These initiatives cross the spectrum of APS activities; and have ranged in scale from the development of the Higher Education Contribution Scheme to improvements in the breeding of detector dogs. But the need for innovation is increasing.

As the pace of economic and social change quickens, governments must be more responsive than ever. Complex policy challenges are arising that require swift but surefooted responses. The APS must ensure it provides Ministers with the evidence and options to make informed decisions

At the same time, new technologies are creating opportunities for government to improve the services it offers to citizens. The private sector is utilising these tools to deliver increasingly tailored services to consumers amplifying demand for public sector providers to follow suit. Without a culture of innovation underpinning the public sector's activities it will struggle to deliver what is required within the resources available.

To this end, there is a very real need for the Australian Public Service to start making changes, both to how it thinks and how it operates. Barriers to innovation must be identified and overcome at all levels. The red tape and siloed thinking of the past have no place in the high performing APS 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. The Taskforce report, *Engage: Getting on with Government 2.0*, was delivered in December 2009.

Public sector innovation is similarly a central theme in *Ahead of the Game: Blueprint for the Reform of Australian Government Administration*. The Blueprint, released by the Prime Minister in March this year, outlines a new vision and agenda for the APS. It seeks to equip staff and leaders with the skills to develop innovative, high calibre policy advice and services, tailored to the needs of citizens.

These reports, and the respective Government responses, will better position the APS to respond to the shifting requirements and expectations facing it.

They will build on the success of initiatives already underway within APS agencies. The Australian National Audit Office, for example, recently developed a better practice guide for public sector innovation which will help those conducting innovative projects navigate many of the considerations involved.

Work undertaken to date highlights the significance of the present report. The Management Advisory Committee (MAC) recognised that tailored solutions are needed in order to foster the innovative spirit of the APS. The process of innovation is rarely an easy one. This report investigates the barriers faced in innovating in the public sector and considers how those barriers may be addressed or managed. It outlines what agencies can do to further encourage innovation in what they do. It looks at what individual public servants can do to promote innovation. It suggests options for how the APS can better enable agencies to develop, implement, deliver and disseminate innovative solutions.

This report is part of a broader agenda for rejuvenating the APS. The MAC Executive believes strongly that embedding a culture of innovation within the APS is a vital component of that rejuvenation. This dedicated review of innovation will help to create a solid foundation for tackling not only the challenges of today, but those that are yet to arise. The report's recommendations will be addressed by agencies as part of their operations or, where appropriate, as part of the ongoing reform work.

The MAC Executive commends this report to the agencies and to the individual public servants who form the APS. And while this report specifically addresses the APS, it is increasingly clear that all levels of public administration, both in Australia and overseas, face similar challenges and a similar need to innovate in an ongoing and systematic fashion. In the spirit of the collaboration and knowledge sharing which this report recommends, the MAC Executive commends the report to all our colleagues throughout the public sector.

A handwritten signature in black ink, appearing to read 'Terry Moran', with a long horizontal flourish extending to the right.

Terry Moran AO  
Chair of the Management Advisory Committee

## EXECUTIVE SUMMARY

---

This report was commissioned by the Management Advisory Committee (MAC) to consider how to develop and strengthen a culture of innovation in the Australian Public Service (APS).

Increasingly, governments are recognising that innovation is not a tangential activity with limited relevance to their mainstream work, but an activity that is core to being able to achieve key public sector goals.

A substantial and growing body of innovation already takes place in the Australian public sector, as evidenced by the examples set out in this report. The public sector has been and continues to be home to many talented people who have come up with significant innovations, either on their own or in collaboration with others.

However, the research and consultation undertaken for this report suggest that the innovation potential of the public sector is much greater than currently realised.

While there is a wide range of research and scholarship on innovation, until recently it has tended to focus on innovation in the private sector. Now a broader recognition that innovation is essential to a productive, high performing public sector is prompting useful new research and literature focusing on public sector innovation.

The United Kingdom has been a leader both on new thinking and on action to seek to embed innovation in the public sector. A great deal of useful recent work has been published, in particular by the National Endowment for Science, Technology and the Arts in the United Kingdom.

The 2009 publication of *The public innovator's playbook: nurturing bold ideas in government* by Deloitte and the Harvard Kennedy School and of *Innovation in the public sector: enabling better performance, driving new directions* by the Australian National Audit Office are important contributions that indicate the growing interest and importance of the topic. The bibliography to this report provides a useful resource for those looking for new ideas and inspiration.

All of these sources acknowledge that innovation can present particular challenges to the public sector. It is inherently experimental and anti-hierarchical. It can easily be perceived as risky or disruptive and may seem contrary to notions of good public administration. However, as evidenced in this report, that is far from the case.

### DRIVERS OF INNOVATION

At its most effective, innovation is a continuous process that can lead to new services or service delivery modes, the development of new concepts, new policy or administrative approaches, and new systems. In this report, we have considered the innovation cycle to comprise five stages: idea generation, idea selection, idea implementation, sustaining new approaches and diffusing new approaches.

The public sector is diverse and the work it undertakes is wide-ranging, so the innovation process will vary depending on the context in which it is taking place. An agency's purpose, capabilities and culture will all have impacts on how innovation occurs, as will the nature of the project to which it is being applied and the presence of external influences.

Innovation competes for attention with many other organisational priorities, such as accountability and efficiency, but there is an increasing number of reasons why innovation needs to be given greater priority than it has previously received.

Public expectations of government service delivery are increasing. This is largely being driven by private sector service improvements, but also by comparative improvements in public services nationally and internationally and by demographic shifts in society.

Ongoing financial pressures require the public sector to deliver productivity gains and improved services with minimal long-term funding growth. Incremental gains through continuous improvement can only achieve so much in this respect. Larger and more intractable social and economic challenges, in particular, may require new and radical approaches. We need a public sector with the capacity to develop those approaches.

The pace and scale of change and the global and local challenges facing governments require an increasingly nimble and innovative public sector to develop effective responses. Increasingly complex policy challenges also make it unlikely that any one agency or, in some cases, any one government will have all the answers required. Collaboration with the public, industry, academia and other governments will be needed to identify the best solutions. Such collaboration is a mainstay of innovation.

## **THE CURRENT STATE OF INNOVATION**

A desire to work for the public benefit, rather than incentives or rewards, has been identified as a core ethic of public servants and is a key driver for innovation in the public sector (Bourgon 2008, p. 400). The Australian Government's annual *State of the Service Report* has repeatedly indicated significant enthusiasm among APS employees for new ideas and a positive attitude towards finding better ways of doing their job. Among staff, however, there is a perceived lack of opportunity and support for creativity and innovation within the APS.

To date, there has been an ad hoc, rather than an ongoing, approach to innovation in the APS. There has been no systemic approach to recording and evaluating innovative methods or to sharing relevant knowledge and learning across the APS.

Recent statements (and, indeed, the commissioning of this report) indicate support for developing the innovative potential of the APS at the highest levels of government and the service. A number of current reviews will provide momentum for this process, including the report of the Government 2.0 Taskforce and the report of the Review of Australian Government Administration.

## **BARRIERS TO INNOVATION**

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 report acknowledges and examines a diverse range of barriers to innovation in the public sector. They include risk aversion; failure of leadership; resource constraints; lack of direction and measurement; policy conflicts; hierarchical attitudes; silo mentality; legislative limitations; accountability concerns; and resistance to change. 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.

This report makes a number of recommendations that could assist in addressing such barriers (for example, mechanisms of review and specific programs for experimentation) and also provides an Innovation Toolkit (Appendix 4) designed to assist agencies and individual public servants to increase the extent and effectiveness of their innovation efforts and to overcome obstacles. While the range of barriers to innovation may seem extensive, there is an array of things that agencies can do to address obstacles and drive organisational innovation.

## **SOURCES OF INNOVATION**

Innovation, at its most effective, draws new ideas and perspectives from a wide range of internal and external sources and from all levels of authority.

Staff, especially frontline staff, can be a rich source of innovation, basing their ideas on a wealth of knowledge about the practical side of existing policy and service implementation. Innovative agencies need to find ways to tap into that knowledge and build on it.

External sources including the general public, experts, the business sector and the academic community can provide new perspectives and new approaches that an agency could never generate within its own walls. External input facilitates innovation at all levels, from future policy directions to the specifics of a new service delivery mechanism. Partnering can not only be a source of new ideas, but can also potentially assist with resource constraints and the management of risk.

Citizens and businesses are especially important external sources of ideas. Not only are they outside the public sector, but they also directly feel the impact of new policies and services. Governments cannot effectively address needs and concerns that they do not fully understand, and consultations for this report suggested that the APS could do much to improve its ability to capture public perspectives and lift the quality of its external interactions.

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.

Innovation is becoming a focus not only for governments across Australia but globally. A range of other national governments are investigating the possibilities and developing their own approaches to public sector innovation. Many of these warrant consideration by the APS and concerted action is required if Australia is to be at the forefront of these developments.

## **RECOMMENDATIONS**

In accordance with its terms of reference (see Appendix 1), this report makes 12 recommendations designed to support and drive an innovation culture within the APS.

### **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 (see Appendix 6) 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 (set out in Appendix 4 of this report) 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 (these are discussed more in Appendix 7). 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.<sup>1</sup>
- 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.

---

<sup>1</sup> Subject to, and compliant with, normal public sector agency audit and reporting requirements.

## 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).

## INTRODUCTION

---

This report looks at how to embed innovation in the Australian Public Service (APS). It looks at how agencies, teams, individuals and those external to the public service can play a role in fostering innovation and at what in the current framework needs to change so that the innovative potential of the APS can be realised.

### REPORT CONTEXT

In 2008, the Australian Government commissioned the Review of the National Innovation System. The review reported back to government in *Venturous Australia: building strength in innovation* and made a series of recommendations about innovation in the public sector. In *Powering ideas: an innovation agenda for the 21st century*, the government agreed that public sector innovation was an area for improvement and noted that the APS Management Advisory Committee (MAC) would further examine the issue.

This report to the MAC looks at the issue of public service innovation against the terms of reference laid out in Appendix 1.

The development of the report has been concurrent with a number of other projects touching on this or related issues, including:

- the development of a better practice guide for public sector innovation by the Australian National Audit Office (ANAO 2009)
- the Government 2.0 Taskforce, which looked at how to build a culture of online innovation within government
- the Reform of Australian Government Administration process, which aims to rejuvenate the APS and enable it to serve the government of the day in addressing the challenges facing Australia in the 21st century.

In the development of this report, attention was paid to these developments to ensure cohesion and minimise duplication.

### READING THIS REPORT

Innovation in the public sector is a relatively new area of study. It is an issue being looked at by governments around the world, and it is not an area that has revealed straightforward answers. The answer to the question of how to engender a spirit and culture of innovation will be context specific.

Some agencies, and areas within agencies, will be more advanced on the innovation journey than others and will have already developed some or many of the skills outlined in this report. Agencies face a range of different pressures, and some will be able to apply the tools presented here to a greater extent than others. Importantly, each organisation will have a distinct culture, and the different cultures will have different ways of integrating innovation.

This report is directed at all levels of the APS, recognising that innovation can and does happen at all levels. Agencies, individuals and teams may be able to apply this material and its insights to their own work. The report may also have relevance for other public sector organisations and for those who interact with the public sector.

This report is not exhaustive—innovation in the public sector is often not widely catalogued and reported and the lessons can go unrecorded. Governments, agencies and individuals around the globe are tackling this issue, and there are many lessons to be learned beyond those identified here.

Consultations have emphasised that innovation is something that stirs passions—there are and will always be differing views about what should be done, in what order, where it should happen and who should be involved.

The report shows that innovation in the APS can face a considerable number of hurdles. Engendering a culture of innovation in a changing APS will not be a short-term effort—it is not a short-term problem.

To effectively integrate innovation into a single organisation can take a number of years and, for the APS more broadly, it can be expected to take longer. It will not be possible, or even desirable, to tackle all the issues at once. Because concepts of public sector innovation are still young and many lessons are still being learned, and because different agencies will have different capabilities and states of readiness, the process of advancing public sector innovation must be iterative.

Therefore, and in the spirit of the project topic, the material in this report can be seen as a beta version—something that should not be regarded as complete until it has been used, worked through and tested.

The research and consultations undertaken for this report suggest that the tools and initiatives outlined here can assist the APS to realise its innovative potential. However, investigation and trialling of proposals and strategies will need to continue, and lessons or insights built upon through both experience and theory. This report and the actions it presents are a step in an ongoing journey towards achieving a public sector where innovation is seen as a core component of our strategy for ongoing effectiveness.

## CHAPTER 1. INNOVATION—A FRAMEWORK

---

This chapter examines definitions of innovation, the particular features of innovation in the public sector, and conceptual frameworks for understanding innovation.

### WHAT IS INNOVATION?

Fundamentally, innovation is the generation and application of new ideas. There is a wealth of literature defining and analysing innovation. While that work has tended to focus on innovation in the private sector, there is now a growing body of literature on public sector innovation.<sup>2</sup>

The competitive drivers of the private sector have led to businesses fostering and valuing innovation as a means of creating improved products, processes and services and thus competitive advantage and improved profits. Although its drivers are somewhat different, the public sector is increasingly also focusing on innovation as a means of improving performance and productivity. However, the innovation process is characterised by opportunities and risks that are perhaps more challenging for the public sector to manage than the private sector.

This is not to say that the public sector has not been a developer of innovation and an early adopter or a fast follower of innovations that have been rolled out in the private sector—this report details a number of such instances. Yet it is also true to say that the public sector has been a laggard in some areas. For example, take-up of online service provision has been slow, and the public sector has generally been very cautious in its utilisation of social media.

Innovation is experimental and can be risky and disruptive. For example, the movement from a universally used product such as the fixed telephone to the mobile phone created risks for the consumer (as a new expense) and for existing manufacturers and service providers, as it meant that an existing technology was being upstaged.

Innovation outcomes can be initially inferior (or seen as inferior) to existing solutions because it can take time and investment to outperform the status quo. Early computers, for example, were slow, cumbersome and very limited in their applications. There was limited knowledge of how to operate and maintain them, and many early users formed the view that they were more trouble than they were worth.

---

<sup>2</sup> For instance Eggers and Singh (2009), *The innovator's playbook nurturing bold ideas in government*; and the Australian National Audit Office (2009), *Innovation in the public sector enabling better performance, driving new directions*.

Innovation is associated with connectedness and collaboration. In the business sector, those firms that collaborate are significantly more likely to achieve higher degrees of innovation novelty (DITR 2006). An environment typified by a broad range of inputs and good flows of information and knowledge is conducive to innovation. In addition, a range of approaches and skills are needed at various stages of the innovation cycle, and they are often not all contained within one organisation.

Innovation is also anti-hierarchical—a new idea can come from any level within an organisation or from an external source. Organisations that are open to a range of ideas and suggestions and that encourage development and experimentation thus tend to be innovative. A narrow range of inputs and rigid, multi-tiered approval processes discourage innovation.

Innovation requires a tolerance for experimentation and thereby, by definition, for failure. For each innovative success there will be multiple unsuccessful attempts. Such failures have a value in demonstrating what does not work and why, and can contribute to later successful innovations. A culture that punishes failure is not conducive to innovation. This can be particularly challenging in the public sector, where such bodies as audit offices, ombudsmen and parliamentary committees (not to mention the media) focus not on the 90 per cent of things that go well, but rather on the 10 per cent of things that have problems. Arguably, this contributes to a culture in which failures or shortcomings are regarded as unacceptable.

Finally, innovation can be transformational or it can be incremental. Both types of innovation are important. Incremental innovation (e.g. streamlining Medicare payment processes) drives continuous improvement and a steady growth in productivity. Transformational innovation (such as introducing computers into the APS) is often highly disruptive, but can lead to large leaps in performance and productivity.

It is important to recognise that innovation is more than just coming up with a good idea. Translation of an idea into a successful outcome is what is required for innovation to take place, and this is often where public sector innovation falls down.

Governments have long recognised the importance of translating research and development into successful commercial and social outcomes. They fund basic research and provide support such as tax concessions and programs of assistance for business research and development. They seek to ensure that the framework conditions facilitate the translation of ideas into outcomes, for example by reducing red tape, ensuring that standards are up to date and providing appropriate financial and intellectual property regulations to enable ideas to be taken to market. Governments recognise that innovation by the private sector is critical to achieving higher levels of productivity and world competitiveness, and they pursue framework conditions and policy settings to facilitate it.

Arguably, governments have paid less attention to ensuring that the right framework conditions and policy settings are in place to facilitate innovation in the public sector. Today, governments are recognising that they also need to be innovative in conducting their business if they want to ensure that their countries are successful and productive. Thus attention is turning to what might need to change to foster a public sector environment that is conducive to innovation and, in particular, to how the public sector can implement innovative ideas in a timely and effective way.

A more detailed discussion of the characteristics of innovation is in Appendix 3.

## **INNOVATION IN THE PUBLIC SECTOR**

There are many examples of successful public sector innovation, both internationally and domestically. Indeed, Australia's record and reputation for public sector innovation is relatively good—from innovative organisation and delivery through initiatives such as Centrelink or Job Services Australia, to innovative policy such as the Higher Education Contribution Scheme, to the innovative use of technology such as the services provided through Business.gov.au or yourHealth.gov.au.

The premise of this report is not that public sector innovation does not happen, but rather that the innovation potential of the public sector is much greater than is currently being realised. A greater focus on the framework conditions for innovation and the actions that could be taken to facilitate innovation across the public sector could unlock that potential.

Too often, public sector innovation happens despite, rather than as a result of, the environment in which we operate. Too often, innovation happens as a 'one off'. We fail to systematically seek to nurture innovation and to diffuse and learn from the innovation successes and failures of agencies across the public sector. As one recent report put it:

*Typically innovation in government happens in one of two ways. Either innovation intrudes itself on a public sector organisation in response to a crisis, or some individual (or small group of individuals) champions a specific innovation. In either instance the benefits of the innovation are limited. Once the crisis has passed or certain individuals responsible for the innovation have moved on, the organisation is left with no lasting capacity for innovation. (Eggers and Singh 2009, p. 5)*

Therefore we are seeking to look at the actions and framework conditions that can be put in place to establish an environment conducive to systemic innovation and an innovation culture in the APS.

To illustrate innovation in the public sector, six groups can be examined (Windrum 2008a):

1. *Services innovation*—a new or improved service. An example is the new National Broadband Network, which will provide high-speed internet access to most of the country, and thereby enable sectors to develop new innovative products and services.
2. *Service delivery innovation*—a new or different way of providing a service. An example is the Australian Government Business.gov.au website, which provides businesses with access to online registration for government services, smart forms and a wide range of government information, transactions and services in a single database and thus reduces transaction and compliance costs for businesses.
3. *Administrative or organisational innovation*—a new process. An example is the Child Support Scheme, which provides an administrative approach to assessment of child support through a formula, rather than using courts to determine payments.
4. *Conceptual innovation*—a new way of looking at problems, challenging current assumptions, or both. An example is the National Respite for Carers Program, which provides support for carers in addition to that provided directly to those who require care.
5. *Policy innovation*—a change to policy thinking or behavioural intentions. An example is the Higher Education Contribution Scheme (HECS), which improves access to higher education for all students (including the disadvantaged) and also maintains the revenue base for higher education.
6. *Systemic innovation*—a new or improved way for parts of the public sector to operate and interact with stakeholders. An example is the establishment of Centrelink, which adopted a completely new approach to the provision of government services to the public.

The six categories of innovation in the public sector are broad and include developments ranging from a significantly improved service to a completely new approach to the way government service is delivered. They also include ideas borrowed from elsewhere and adapted to the particular needs of Australia, such as Business.gov.au, and the creation of new (or radical) methodologies, such as the HECS scheme.

## THE INNOVATION PROCESS

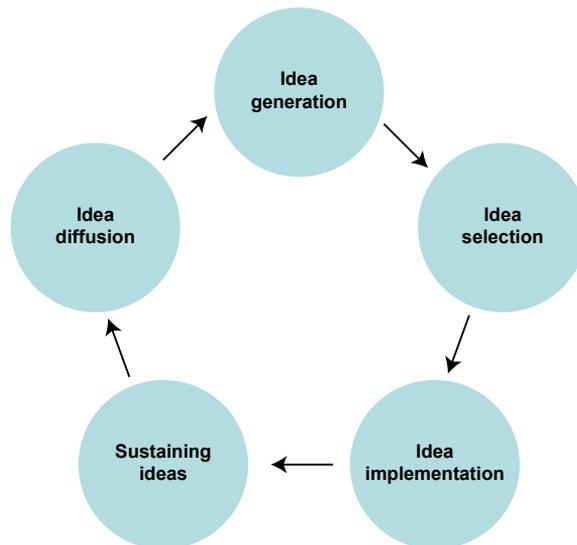
The 2008 report of the Review of the National Innovation System, *Venturous Australia*, set out a three-stage innovation process: knowledge production; knowledge application; and knowledge diffusion (Cutler 2008, p. 17). Others have defined the process in more detail:

*Innovation can be thought of as having a cycle with four phases: idea generation and discovery, idea selection, idea implementation, and idea diffusion. It is in the last three phases that innovation often gets derailed in the public sector. (Eggers and Singh 2009, pp. 6–7)*

Eggers and Singh’s four-phased approach to understanding the innovation process is valuable in teasing out the different aspects that need to be considered. However, this report considers an additional stage necessary to explicitly recognise the importance of *sustaining* innovation. The additional step recognises that the public sector, unlike the private sector, does not have profit as its dominant driver and thus specific assistance and effort may be required to embed innovation activity in the public sector (Osborne and Brown 2009).

*In the public sector, innovation has never achieved comparable status as a criterion of organizational excellence. Three reasons stand out. First, while government agencies face urgent problems, passionate claimants, and muckraking journalists, they experience little direct competition. Second, the political arena is characterized by high conflict; no analog of profitability exists as a consensual criterion for appraising public sector innovations. Third, people in government fear nothing more than newsworthy failure. (Altshuler 1997, p. 39)*

Figure 1.1 A five-phased innovation cycle



Source: Adapted from Eggers and Singh (2009, p. 7).

The framework for the innovation cycle (Figure 1.1) identifies five phases:

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 innovative initiative going and integrating it, which includes monitoring and adapting where necessary
5. *Idea diffusion*—sharing and spreading the ideas/initiatives.

The innovation process should be a continuous cycle whereby we learn from our own innovative activities and those of others and apply that learning and the new ideas it generates to future activities.

The ANAO has developed a better practice guide on innovation. *Innovation in the public sector: enabling better performance, driving new directions* is intended to assist agencies (and managers) to adopt innovative approaches when they are developing and managing programs and projects and to ensure that they understand and manage the risks associated with such approaches. The guide includes an innovation process model that could be applied to specific projects and programs. It recognises that innovative approaches will result in some failures; however, it also recognises that it is a responsibility of the public sector to constantly look for better, faster, fairer and less complex methods to provide its services to citizens. The guide states:

*An appreciation of the importance and diversity of innovation and how to achieve it should be part of the knowledge, skills and behaviours of every public servant. (ANAO 2009, p. 1)*

This emphasises that, to date, innovation has not been a core value of the APS. If we are to embed a culture of innovation in the APS, that must change.

#### **KEY POINTS**

- Governments recognise that innovation is essential to a productive, high-performing public service.
- Substantial public sector innovation already happens, but the innovation potential of the public sector is greater than is currently realised.
- A focus is required on the actions and framework conditions that will embed an innovation culture in the public sector.
- Types of public sector innovation include new services, new service delivery, new administrative approaches, the development of new concepts, new policy approaches and new systems.
- The innovation cycle involves idea generation, idea selection, idea implementation, sustaining new approaches and diffusing new approaches.
- The characteristics of the innovation process can make it challenging for the public sector to manage.



## CHAPTER 2. WHY INNOVATION IS A PRIORITY

---

To what extent does innovation in the public sector matter? How does its value compare to the other issues that demand the resources and attention of the APS? What is driving governments to encourage and facilitate innovation within their public services?

To a significant extent, the answers lie in the environment in which we operate. While change is a constant, the pace and the scale of change distinguish the current operating environment and pose new challenges for governments and public services. We are grappling with social, economic and environmental changes that are potentially transformational. We are working in an environment that is complex, volatile and characterised by global competition. Demographic and resource pressures, environmental change, technological innovation, increases in information and knowledge, new threats of terrorism and violence, and global economic integration all frame new challenges for public policy in the 21st century. These public sector challenges call for new approaches and new and often more collaborative ways of working. In addition, specific fiscal pressures on governments add a further spur to innovative approaches.

*In an era of rapid shifts in technology, consumer demands, and public sector challenges, a capacity for organizational innovation isn't a luxury—it is an imperative. The ability to innovate is the ability to adapt to an altered environment, to learn, to evolve. (Eggers and Singh 2009, p. 6)*

### POLICY CHALLENGES

*Governments and public services around the world are grappling with very complex issues—climate change, security concerns, economic disadvantage and lifestyle health challenges such as obesity and diabetes—to name just a few. Making progress in these areas requires, among other things, looking for better and more innovative ways to perform our traditional public service role of providing policy advice to the Government. (APSC 2009a, p. 1)*

These increasingly complex policy problems faced by governments everywhere require increasingly sophisticated responses. The challenges cannot be adequately addressed without innovative approaches and solutions, and they are challenges that often cannot be met solely by the public sector or even by the nation as a whole.

No single organisation or country will have all of the capabilities, capacities, insights and solutions to satisfactorily address all of these issues. In addition, some problems can only be tackled with the active participation of those who are to be assisted—for example, Indigenous disadvantage. Broad engagement with stakeholders will be required to develop, trial and deliver appropriate solutions for complex challenges.

Increasingly, governments are looking for innovative solutions to these complex problems which require complex skills sets, novel communication strategies and unprecedented levels of cooperation between citizens, communities and governments.

## CHANGING EXPECTATIONS

*... public expectations of service quality are rising, largely because of implicit competition from the private sector. When members of the public visit the motor vehicle department, they expect the same kind of service they get at McDonald's: quick, efficient, and courteous. When they call the Internal Revenue Service, they expect to be treated as they would be when calling L. L. Bean or American Express. (Altshuler 1997, pp. 42–43)*

Citizen expectations of the public sector are changing—and innovative policy development and services delivery are critical to meeting such expectations.

New information and communication technologies and major changes in private service industries have transformed the customer experience in recent decades—so much so that citizens<sup>3</sup> have had markedly divergent experiences in the private and public sectors.

With the commercial world delivering highly individualised responses, the public is less tolerant of a public sector that cannot match this capacity and one that insists on delivering uniform services (Goldsmith and Eggers 2004). Individuals want to know why the government cannot treat them as individuals when multinationals can. They want services that are specific to their needs and circumstances.

As new processes, new technologies and new media become more pervasive, there is an increasing expectation, particularly among young people, that those developments will be reflected in the way public sector agencies interact with others and in how they develop and create solutions and services:

*Youth want governments that are customizable, fast, and innovative. They want choice and the opportunity to collaborate. (Tapscott 2009, p. 265)*

Not only is there demographic pressure on governments from younger generations encouraging and accelerating changing expectations, today's ageing population in developed countries also has high expectations, particularly for high-quality and timely health and aged care services.

---

<sup>3</sup> Where this report uses the word 'citizen', it is using it in a broad sense rather than as a technical term. The Australian public sector provides services to people who are not Australian citizens, and those people are included when that term is used in the report.

## **GLOBAL COMPETITION**

*For those countries seeking to move ahead in the global marketplace innovation in the public sector has become and will remain as important as it is in the private sector. (Kamarck 2004, p. 44)*

Global integration and competition extend to the quality and efficiency of public administration within countries. The public sector in developed nations represents a significant proportion of the economy—total government expenditure as a proportion of GDP is around 34 per cent in Australia (ABS 2009a) and closer to 50 per cent in some European Union economies (Eurostat 2009). Thus, increased productivity through innovation in the public sector will have a significant impact on Australia's wider economy and trading position.

Innovative public policy overseas can impact upon the competitiveness of firms within Australia. For example, higher levels of efficiency leading to lower taxes or more effective light-handed regulation in a competitor country can lead to competitive disadvantages for Australian business. Globalisation exposes the performance of governments and of their public services to comparison and competition. Thus there is increasingly a competitive driver for innovation in the public sector.

## **FISCAL PRESSURES**

There are increasing pressures on governments for efficiency, productivity gains and cost reductions. They come from a range of sources, including the demographic pressures of an ageing population. Such pressures have been exacerbated by the global financial crisis, which has led to substantially increased levels of public indebtedness for most developed countries, including Australia.

The global financial crisis and its impact on government revenues, returning the budget to surplus over the medium term and managing the fiscal implications of an ageing population and a lower rate of growth in labour force entrants are key challenges facing the Australian Government (PM&C 2009). For the APS, they make for a very challenging fiscal environment in which to operate and will demand new and innovative approaches, especially to service delivery.

## **PUBLIC SECTOR MANAGEMENT**

*Essentially NPM can be seen as the growing awareness within the public sector of a need to acquire and develop management skills and attitudes more traditionally associated with the corporate ... sectors of the economy. The resultant endeavour is characterized by a drive to bring public sector management reporting and accounting procedures closer to (a particular perception of) business methods, rooted in 'management thought' on 'best' practice through the adoption of a set of different (sometimes conflicting) reforms and initiatives. (Hall and Holt 2008, p. 22)*

The New Public Management (NPM) approach seeks to move the public sector to embrace private sector practices to increase efficiency and productivity. It is often, but not always, associated with privatisation and the outsourcing of government functions. It requires new models of operation for public sector functions, partnerships with service providers and third-party organisations and the introduction of new imperatives into public sector service delivery. It envisages increased reliance on networks and collaboration in service delivery and policy development, and this means the adoption of new processes and approaches.

There is increasing contestability over the provision of services and advice that were once the sole province of the public service. Again, this introduces a level of competition into the public sector and gives a spur to innovation in the public service.

### **HIGH-PERFORMING PUBLIC SERVICE**

*Humans are wired for creativity; we long to express it. By emphasizing innovation, you will be tapping into your staff's deepest intellectual and professional desires. (Lafley and Charan 2008, p. 28)*

A high performing public service is based on capable, skilled and professional people. Such staff are attracted to join and remain in the public service in large part because of the interesting and challenging nature of the work—work that offers the opportunity to make a real difference. To attract and retain highly motivated and skilled public servants, the APS must provide them with opportunities to innovate, to apply creativity, and to make a difference.

Those drivers are some of the reasons that the public service needs to make the most of its innovative potential. However, there will always be other unexpected or unknown challenges that will result in a need for innovative public sector solutions. A look back at the recent past provides numerous examples of such circumstances—the global financial crisis, swine flu and numerous natural disasters. The public service needs to be able to adapt quickly—it needs to be able to innovate.

## KEY POINTS

- The pace and scale of change and the global and local challenges facing the public sector make innovation a necessity to meet future needs and expectations.
- Today, citizens expect to be treated as individuals and have services directed to their individual needs. The public sector is expected to be as innovative in its services delivery as the private sector.
- Global competition extends to having an innovative and productive public sector. The public sector is a significant segment of the economy and impacts on overall productivity and performance.
- Fiscal pressures will add to the imperative for greater productivity and innovation.
- Evidence suggests that APS staff embrace opportunities to be innovative.
- Increasingly, delivery of public services is subject to privatisation, outsourcing and market models of provision and governments seek a diversity of sources of advice. The APS must develop new ideas and adopt new models and approaches to be competitive in a contestable environment.



## CHAPTER 3. THE STATE OF PLAY

How innovative is the current APS and what are its prevailing attitudes to innovation? It is important to understand the state of innovation in the public service so that any action taken can be based on evidence and so that the impacts of any reforms can be measured.

### MEASURING THE STATE OF INNOVATION IN THE APS

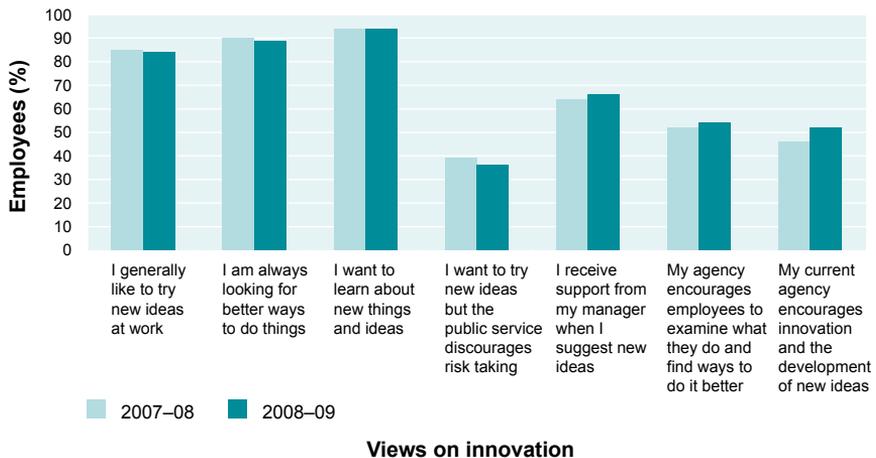
The annual *State of the Service Report*, produced by the Australian Public Service Commission (APSC), measures a range of employee views on innovation.

In 2007-08, the report showed that:

- 94 per cent of employees were keen to learn about new ideas at work
- 90 per cent of employees always look for better ways to do things
- less than 40 per cent felt that they wanted to try new ideas but that the public service discouraged risk taking.

These figures did not change significantly in the recently released 2008-09 report (see Figure 3.1).

**Figure 3.1** Employees' views on innovation at work, 2007-08 and 2008-09

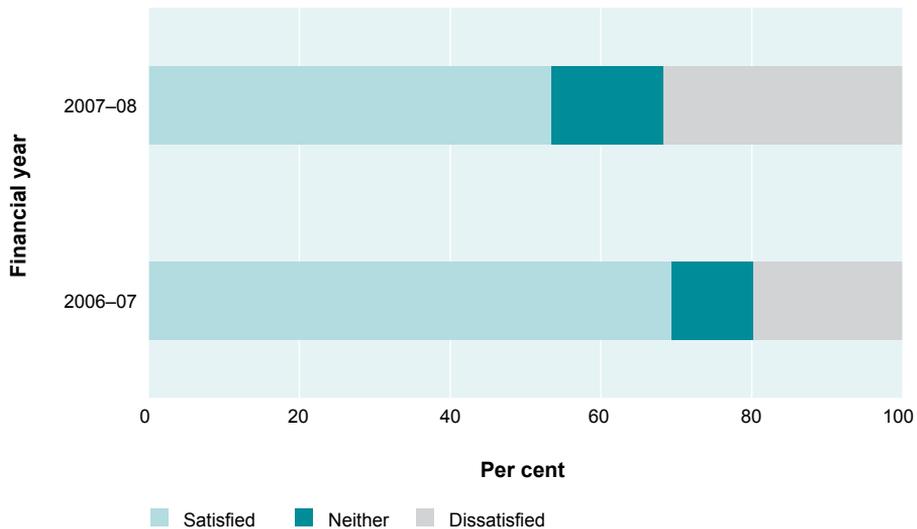


Source: APSC (2009b).

Figure 3.1 also identifies an increase in the percentage of employees who believe that their agency encourages innovation, from 46 per cent in 2007-08 to 52 per cent in 2008-09.

These results suggest that APS employees both want, and feel encouraged, to participate in innovative activity. However, a comparison of the 2006-07 and 2007-08 reports shows a significant decrease in the proportion of APS employees who were satisfied with their opportunity to be creative and innovative at work, from 70 per cent in 2006-07 to 54 per cent in 2007-08 (Figure 3.2).

**Figure 3.2** Chance to be creative and innovative, 2006-07 and 2007-08



Source: APSC (2008).

While a similar figure was not included in the 2008-09 *State of the Service Report*, an analysis of employee survey results shows that satisfaction levels bounced back to some extent in 2008-09, to 62 per cent.

Many APS employees consulted in the preparation of this report emphasised that innovation in the public sector can be a difficult and arduous process, taking a significant amount of personal commitment, time and energy. Many felt that they did not have the tools or other support that they needed to help them through the process of innovation and that they often lacked agency support in pursuing new ideas and approaches.

Consultations identified barriers that public servants can face when they try to innovate, including risk aversion, unsupportive processes, lack of access to new technologies, lack of an innovation focus in setting strategic directions, lack of feedback on ideas, a silo mentality, politicisation of issues, and a fear of failure. While the frequency and impact of each barrier vary across agencies and programs, when viewed collectively they raise concerns about the disincentives public servants can face in trying to innovate. Barriers are discussed further in Chapter 4.

The *State of the Service Report* provides a generally positive outlook: individuals want to learn about and try new ways to do things. However, the significant proportion of APS staff who perceive that they have limited real chances to be innovative and creative and the drop in that figure between 2006-07 and 2008-09, notwithstanding the rebound from the low of 2007-08, is of some concern. Conversely, more than half of the APS employees surveyed felt that they did have opportunities to be innovative and creative in their day-to-day work. However, that leaves significant room for improvement.

The *State of the Service Report* provides a useful barometer of the grassroots view of how innovative the APS is. While individual agency results are not focussed on in the State of the Service report, it would be useful from the perspectives of recognition and learning from success to publish the top five innovative agencies as identified by the survey.

### **EXAMPLES OF INNOVATION IN THE APS**

The *State of the Service Report* measures the perceptions of staff about how innovative the APS is, but it does not measure the innovative outcomes of public service agencies. While we do not have an objective measure of the level of innovative outcomes across the APS, there are many examples of the APS having introduced major innovations with far-reaching implications for citizens. Examples are scattered throughout this report, and four are provided in this section to illustrate the range of innovative activity undertaken. They encompass the introduction of flexible service delivery ‘on the ground’ to people in rural and remote areas, support for innovative policy development, and the use of new web tools to increase engagement with citizens on services and their delivery.

## The Drought Bus

The continuing drought in south-eastern Australia in 2006 was having a major impact on rural communities, and (then) Minister Hockey asked Centrelink to take action within seven days to alleviate stress on citizens in affected areas.

Centrelink leased two vans and a third vehicle shortly afterwards—dubbed ‘Drought Buses’—and fitted them out to operate as mobile offices.

In delivering an Exceptional Circumstances Payment for Drought Relief, Centrelink sought to reverse the usual process of providing its services—instead of citizens coming to a Centrelink office for help, the Centrelink office would go to them.

Because many people have reservations about seeking assistance from any government institution, particularly in rural farming areas, farming associations were engaged to invite people to social and professional occasions built around the visit of a Drought Bus. Seventy per cent of the farmers who received the drought payment were new customers for Centrelink.

The speed of Centrelink’s response meant that there were risks. For example, the leasing process was not ideal and the speedy fit-out design resulted in cramped spaces. The leases were for two years, in line with program funding, so that meant a wait of two years for the procurement, vehicle design and other processes to be reviewed.

However, the response time to meet what was considered an urgent need and the level of service improvement to the client group were seen as outstanding.

The Drought Bus team has built on its mobile services to remote citizens. A new, purpose-built ‘bus’ has been designed with a superior fit-out. In addition, it provides access to services not normally available in remote areas, such as services from the Child Support Agency and hearing tests from Hearing Australia. A high-speed satellite connection gives the service full contact with Centrelink’s databases. There are now two ‘buses’ in operation under the formal name of ‘Centrelink Mobile Offices’.

### **Policy Innovation and Research Unit**

A dedicated centralised unit, the Policy Innovation and Research Unit, was established in June 2008 by the Secretary of the Department of Immigration and Citizenship to drive greater research and innovation in policy development, programs and service delivery and to foster a culture of ideas and strategic planning across the department.

The Unit conducts in-house research, commissions external research and works to promote innovative approaches to policy development, including with other government agencies. It also works with research organisations across Australia, fostering engagement with the community sector on research and policy development.

Initiatives to promote innovation in policy development include collaborative partnerships with research organisations and other agencies, academic roundtables to focus on long-term and future-oriented policy issues, and web-based tools to enable community groups and individuals to contribute to policy development.

The Unit, headed by a First Assistant Secretary, comprises 12 research and policy officers who champion innovation and forward thinking across the department. The unit reports directly to the Secretary.

### **Golden Gurus Program**

The Golden Gurus Program emerged from the Australia 2020 Summit and was taken up by the Department of Education, Employment and Workplace Relations. The program seeks volunteers with business skills and expertise who no longer work full time and who are willing to provide their skills and knowledge to eligible small businesses transitioning from the government's New Enterprise Incentive Scheme to independence.

The Australian Government has committed \$400 000 to this program to help ensure knowledge retention within the small business community and also provide networking and mentoring opportunities for skilled retirees.

### **Australian Broadband Guarantee**

The Australian Broadband Guarantee program gives effect to the policy of successive Australian governments to support equitable broadband access for rural, regional and remote Australians. It represents a sophisticated response to a complex policy challenge for government: how best to intervene to address a market ‘failure’ (the lack of access to broadband services in regional, rural and remote Australia on a comparable basis in terms of quality and price to those available in metropolitan areas) without impacting negatively on legitimate commercial interests or picking technology ‘winners’.

The program delivers a cost-effective solution to this policy challenge. Internet service providers are able to apply for registration under the Australian Broadband Guarantee to provide subsidised broadband services to eligible Australian residential and small business premises, those without access to broadband services that reasonably compare to broadband services available in metropolitan areas (metro-comparable). The program is technology neutral, enabling providers to utilise any broadband technology that provides a cost-effective solution.

All stages of the program—customer enquiries, provider registration and management processes, incentive claim verification and payment processes and compliance processes are supported by innovative online systems developed specifically for the program, but which potentially have wider application.

The Australian Government has allocated \$250.8 million to fund the program to 2011-12, complementing the commercial networks and the government’s National Broadband Network rollout by supporting access to otherwise underserved premises.

While incremental innovation happens across the APS, it was difficult to find documented examples of smaller incremental innovation for this report because there is no coordination or recording of innovative effort in most agencies or for the APS as a whole.

Coordination and monitoring of innovation across the APS might not be seen as critical, but the absence of mechanisms to share learning across the service raises concerns about the opportunity for the diffusion of new ideas (including an understanding of episodes in which they have not worked). Such diffusion could have a positive impact on a range of APS activities and services and more broadly on productivity. Furthermore, sharing information about innovation across the APS could help to build a culture of innovation.

Mechanisms that could be employed to achieve this include a high-profile annual conference on innovation supported by senior APS leadership. Such a conference would publicise and share key APS innovation outputs and signal the value that the APS places on innovative activity. APS innovation awards, perhaps associated with

the conference, could be established, as could a website highlighting APS innovation activities and providing access to relevant information and materials.

The current low levels of visibility of innovation across the public service means that many new ideas and innovative approaches are not widely recognised and their potential for broader use is not realised. As a result, the diffusion step in the innovation cycle is not being undertaken effectively. In essence, this means that the APS is failing to marshal its existing innovative resources to full effect.

### **CALLS FOR A MORE INNOVATIVE PUBLIC SERVICE**

There is now a widespread and high-level recognition of the imperative to seek to create a more innovative APS. Calls for a more innovative public service are being made from the highest levels of the Australian Government and the APS:

*We are facing challenges so complex in their causes, so shifting in their natures, so contentious in the arguments they provoke and so radical in the solutions they demand that they cannot be addressed with business-as-usual thinking.*

*Prime Minister Rudd, 2009*

*We need to provide the public service with access to the tools to deliver greater access to information, innovation and collaboration ... We need to reward innovation in the public service as much as we do in other areas of society.*

*Finance Minister Tanner, 2009*

*[Public servants] ..must think in terms of outcomes, rather than processes. They must get out of their silos, abandon turf wars, and work collaboratively across departments, with State and Territory governments and with the private sector ...*

*[T]he public service gives good advice on incremental policy improvement. Where we fall down is in long-term, transformational thinking; the big picture stuff.*

*Secretary of the Department of the Prime Minister and Cabinet,  
Terry Moran, 2009*

This thinking has led to specific actions. Indeed, the conduct of this project is one such action, i.e. prompted by relevant recommendations in the 2008 Review of the National Innovation System, the MAC established a cross-agency steering committee and project team to examine the issue of innovation in the APS.

Other positive actions taken in the past 12 months that herald a strong Australian Government commitment to building the skills of the APS, and its propensity for delivering innovative policy and services, include the following:

- *Reform of Australian Government Administration*. In September 2009, the Prime Minister announced the formation of the Advisory Group on the Reform of Australian Government Administration, to be chaired by the Secretary of the Department of the Prime Minister and Cabinet (PM&C). It is charged with delivering a blueprint to outline steps to rejuvenate the APS and enable it to serve the government of the day in addressing the challenges facing Australia in the 21st century. It will consider reforms so that the service can deliver a values-driven culture that retains public trust; high-quality, forward looking and creative policy advice; high-quality, effective programs and services focused on the needs of citizens; flexibility and agility; and efficiency in all aspects of government operations.
- *Government 2.0 Taskforce*. The Government 2.0 Taskforce, announced in June 2009, examined the use of Web 2.0 tools and technologies to provide improved options for engagement between government and citizens. It was tasked to ‘build a culture of online innovation within government—to ensure that government is receptive to the possibilities created by new collaborative technologies and uses them to advance its ambition to continually improve the way it operates’ (Government 2.0 Taskforce 2009, p. 87).
- *ANAO better practice guide*. The new better practice guide developed by the ANAO provides support to managers of innovation operating within existing public sector managerial practices (ANAO 2009). It recognises the value of innovation and is the first step towards an integrated approach to the development and exploitation of public sector innovative capacity.

In addition, APS service delivery mechanisms are being reviewed to identify ways to deliver better services to citizens more efficiently.

## **INNOVATION IN THE PUBLIC SECTOR AT STATE AND TERRITORY LEVEL**

Actions are also being taken by local governments and state and territory governments around Australia. For example, Queensland and Victoria have established mechanisms to build innovation in their public services:

- The Queensland Government has set out a broad program of reform to modernise its public service, and to deliver better services and meet rising community expectations. The program aims to increase accountability and efficiency and supports innovation. It has articulated a vision for the future in Queensland through *Toward Q2: Tomorrow's Queensland*, and has 10 targets under five broad ambitions—strong, green, smart, healthy and fair—to tackle challenges such as climate change, population growth, preventable diseases and entrenched disadvantage.
- The Victorian Public Service has released an *Innovation Action Plan* focusing on increasing collaboration, building capability, generating ideas and sharing information and data to embed innovation across the public service. The plan promotes mobilising resources around challenges.

## INNOVATION IN THE PUBLIC SECTOR OVERSEAS

For many of the reasons outlined in Chapter 2, public sector innovation is receiving attention from governments around the world. Some governments are establishing specific units to build innovative policy options and to take forward smart ideas. Others are strengthening the innovative capacity of their public sectors through awards and other mechanisms of promotion. Many governments are adopting plans or structured approaches to building innovative capacity and culture:

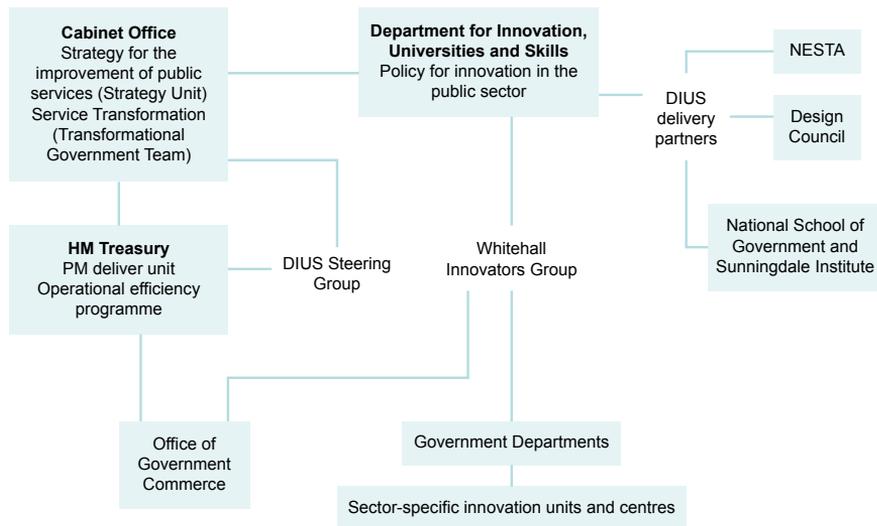
- In Singapore, the *PS21 policy framework* places emphasis on continual engagement, empowerment and individual responsibility for seeking opportunities for innovation and improvement. Its *Enterprise Challenge* identifies ideas with promise—that is, ideas deemed to have the potential of being radically unique and untried with potential to provide significant value creation to the public service. The ideas are carefully selected, groomed and matched to appropriate testbeds in the public service. See Annex A for further detail.
- South Africa has a *Centre for Public Sector Innovation* to identify, support and nurture innovation in the public sector to improve service delivery. Its mission is to unlock innovation in the public sector and create an enabling environment for improved and innovative service delivery (CPSI 2009). The Centre aims to:
  - research and develop sustainable models for innovative service delivery
  - facilitate the creation, adaptation, piloting and mainstreaming of innovative solutions
  - create and sustain an enabling environment which entrenches a culture of innovation in the public sector through innovative platforms and products
  - ensure systematic and effective program coordination and administration.
- The United States Government has created the *Open Government Innovations Gallery* (US Government 2009a). President Obama has also launched the *SAVE Award* (for ideas to save taxpayer dollars and make government more effective and efficient) and has released *A Strategy for American Innovation* (US Government 2009b), committing to increasing the innovation capability of the government by:
  - making it more transparent, participatory and collaborative
  - promoting open government
  - using innovation to improve government programs
  - committing White House resources to scaling and promoting community innovations.

Innovation must occur within all levels of society, including the government and civil society. The Obama Administration is committed to increasing the ability of government to promote and harness innovation. The Administration is encouraging departments and agencies to experiment with new technologies that have the potential to increase efficiency and reduce expenditures, such as cloud computing. The Federal government should take advantage of the expertise and insight of people both inside and outside the Federal government, use high-risk,

high-reward policy tools such as prizes and challenges to solve tough problems, support the broad adoption of community solutions that work, and form high-impact collaborations with researchers, the private sector, and civil society. (US Government 2009b, pp. 16–17)

- In the United Kingdom, the government has been very active over recent years in seeking to promote and embed innovation in its civil service. It has taken a systematic and structured approach to fostering innovation in the public sector, as set out in Figure 3.3.

**Figure 3.3** United Kingdom public sector innovation



Source: National Audit Office, UK (2009).

Annex 1 provides a detailed report on innovation activities by a number of governments, including those of Canada and the Netherlands.

Developed nations around the world are focusing on the benefits that can be reaped through a more innovative and productive public sector, and they are taking action to achieve them. Australia must be active in this area if we are to remain among the leading nations in terms of the quality, effectiveness and efficiency of our public administration.

## KEY POINTS

- The APSC *State of the Service Report* provides a longitudinal measure of the innovative capacity of the APS, as perceived by its employees.
- Public servants rate their willingness to engage in innovative activity highly but believe that the APS limits their opportunities for creativity and innovation.
- There is a wide range of examples of public sector innovation both major and minor, but no systematic approach to spreading relevant knowledge and learning across the APS.
- There is support at the highest levels of the Australian Government and the APS for developing a more innovative public service. A number of current reviews will provide momentum for that process.
- Many developed countries are focusing on policies and actions to develop a more innovative and productive public sector. Australia needs to take action to ensure that we are at the forefront of that process.



## CHAPTER 4. BARRIERS TO INNOVATION IN THE APS

---

So, what stands in the way of a more innovative public sector? This chapter discusses barriers to innovation in the public service identified from the feedback received through consultations, focus groups and submissions, as well as the relevant literature.

The barriers or impediments to innovation listed here will not always apply in every agency and in relation to every innovation that happens in the public sector; however, it is important to have an understanding of the possible obstacles that may occur throughout the innovation process. Nor are all these issues necessarily unique to the public sphere, even though some public sector areas will have added complexity compared to the private sector. And some relate to accountability and legislative requirements of the APS or are tied to the democratic system. Such ‘barriers’ are necessary and appropriate constraints that the APS must consider rather than circumvent.

Subsequent chapters identify actions and reforms that the APS can consider to mitigate or reconcile unavoidable constraints on innovation, and those that could reduce, remove or eliminate the barriers that unnecessarily hinder the public sector’s ability to innovate.

Figure 4.1 lists a range of barriers and illustrates where they affect the various phases of the innovation process (outlined in Chapter 1). The barriers are discussed in more detail below.

**Figure 4.1** Barriers to innovation at the different phases of the innovation process

Barrier	Generation	Selection	Implementation	Sustaining	Diffusion
Risk	•	•	•	•	•
Short-term focus	•	•	•	•	•
Failure of leadership	•	•	•	•	•
Policies & procedures	•	•	•	•	•
Efficiency and resources	•	•	•	•	•
External opposition	•	•	•	•	•
Skill sets & mobility	•	•	•	•	
Failed innovations	•	•	•		
Procurement requirements	•	•			
Recognition & feedback	•	•			
Measurement & impact	•			•	•
Divergent employment conditions	•				
Lack of champions		•	•	•	•
Scrutiny		•	•	•	•
Policy		•	•		
Hierarchy		•	•		
Silos		•	•		
Legislation		•	•		
Accountability			•	•	
Resistance			•	•	
Reluctance to let go			•		
Sustaining innovation				•	
Identifying success factors				•	•

**BARRIERS IMPACTING ON ALL PHASES OF THE INNOVATION CYCLE**

**1. Risk**

Public servants are notoriously regarded as risk-averse. This is not surprising, given the potential for political and media criticism of the government if programs or policies are seen to fail. It is easier to avoid criticism by not taking risks, particularly as the consequences of risk-taking in the public sector can be severe and can include political damage to the government, public criticism, possible legal consequences, diminished career prospects, and damage to personal reputation. Thus, as the ANAO better practice guide (ANAO 2009) highlights, risk-taking must be well judged and carefully managed in the public sector.

As well as the obvious risk of failure, a range of other risks may be involved in introducing innovation:

- The risk that the innovation may render the skills of the staff or service manager of the organization obsolete
- The risk that the innovation will cost more than was intended
- The risk that the innovation will have unintended consequences
- The risk that the innovation may be pursued by external (political) stakeholders, irrespective of its actual impact on the efficiency and/or effectiveness of a public service
- The risk that the innovation may be successful but not attract sufficient take-up to ensure its financial viability
- The risk that the innovation might be successful but that the PSO [public sector organisation] could not cope with the subsequent increased level of demand for the service. (Osborne and Brown 2005, pp. 190–191)

The impact of risk can be amplified by public servants second-guessing the risk appetite of supervisors. While an individual may be willing to deal with a particular risk, they may assume that someone above them will not. This can extend to the ministerial level, as public servants make assumptions about the risk appetite of their ministers rather than consulting them on the risks and opportunities posed by particular new ideas or approaches.

Parliamentary processes for scrutiny, such as the Senate Estimates process or the reports of the Auditor-General, tend to focus on risks, shortcomings and failures. It is not the vast majority of agency activities being performed successfully that claim attention, but the small minority experiencing problems. A disproportionate focus on those activities can lead to broad claims and perceptions of public sector incompetence and ineptitude. Such exposure to parliamentary and public criticism can act as a powerful disincentive for experiment or risk taking and again emphasises the need to carefully manage public sector innovation.

Legal frameworks also emphasise risk. Legal advice will detail risks, many of which will not have equal weight but must still be considered. Poor legal advice will often set out all possible risks without advising on likelihood, consequences or ways of minimising the risks. As one public servant put it, ‘my lawyers always give me multiple reasons why I can’t do what I am seeking to, they never seem to give me helpful advice on how I can do what I want to.’

Clearly, it is sensible to get relevant legal advice when considering new approaches or ways of doing things, however it is important to frame the request appropriately so as to get a useful and balanced response and to remember that legal advice is only one input into decision making. The risk of not changing, of not trying new ideas and potentially not moving forward, also needs to be considered.

In some cases APS attitudes or processes tend to punish innovators by shifting all of the risk involved in the innovation onto them. Agencies or units within agencies seeking to introduce an innovation that requires funding may be told that they can go ahead but need to fund the initiative internally. Thus, if the innovation fails or does not prove to be cost effective, the innovative unit or agency bears all the loss.

An example is the development of VANguard, a technical innovation to allow online validation, authentication and notary services and thus provide a basis for secure online transactions between government and businesses (as well as the public). A proposal to develop and implement this whole-of-government service was put to government by the (then) Department of Industry, Tourism and Resources and was initially funded. However, while the agency was required to continue to develop and implement the new system, funding for the project was withdrawn as part of a savings exercise. Such experiences lead agencies to the view that any innovative efforts are fraught with risk.

Budget and funding processes can also make innovators secretive about what they are doing. If an innovative idea produces savings for example these could be deducted from an agency's budget going forward. This can pose particular risks if an assessment is made of the projected savings over future budget years and deducted from an agency's budget in advance.

While these practices may be consistent with disciplined budget management, if applied bluntly and without broader consideration, they can clearly constitute barriers to experimentation and innovation.

The ANAO better practice guide on innovation (2009) identifies risk management as a fundamental feature of the innovation process and notes a tendency towards risk avoidance.

While the United States has a different system of public administration, the situation in that country appears similar:

*Above all, however, the problem is that most elected chief executives perceive bureaucratic innovation as very risky. Challengers, legislators, and the media concentrate almost exclusively on failure. Failure is news. It generates controversy, particularly about who was responsible, and can be portrayed as scandalous. (Altshuler 1997, p. 48)*

## **2. Short-term focus**

The most competitive and internationally successful companies ensure that time is dedicated to analysing and solving the problems of the future—for example, large multinational companies dedicate time and resources to research with a view to providing the solutions that will maintain their competitiveness in years to come.

The best public sector agencies do the same, but arguably there has been a decline over recent decades in APS agencies investing in longer term capability development and innovation for the future.

Australia's short three-year political cycle and pressure to be more responsive to the needs of the government of the day contribute to a focus on short-term delivery goals and urgent tasks while important and longer term issues can be ignored.

Innovation in the public service, particularly innovation of a substantial or transformative nature, requires a work environment in which resources are given not only to the immediate issues but also to the longer term challenges. Such resources tend to build up the intellectual capital on which inventive new ideas and approaches are based. Acceleration of the policy development process can also make it hard for innovation (which can have a long development period) to be possible in the timeframe and can stifle engagement with relevant stakeholders and citizens.

### **3. Failure of leadership**

Leaders play a pivotal role in enabling innovation by demonstrating willingness to accept risk and supporting and rewarding innovative ideas and approaches. Often the default response to a risk situation by a supervisor can be 'No'. Innovators then have to do significantly more work to get a 'Yes', and risk getting another 'No' one step further in the process. In consultations, public servants referred to this as 'death through frustration', which leads to a loss of enthusiasm for innovating.

Leaders, especially agency heads and SES staff, set the tone—they have a big influence on the culture and attitudes within an organisation. Through their actions, leaders can make clear that innovation is an issue of some priority and is valued and rewarded within an agency. If agency leaders show no interest in innovation, that also sends a clear message to staff. If we want a more innovative public sector, it is incumbent on public sector leaders to encourage the generation, adoption and implementation of new ideas.

Leaders are also vital because of the requirement for efficient decision making. A central issue with innovation in large organisations, including the APS as a whole, are the joint problems of groupthink and consensus decision making. There are usually strong messages running through agencies about their goals and directions, and also about what various senior people are looking for—if left unchecked, this can degenerate into groupthink.

There is also a stronger desire in the public sector to deliver outcomes that do not disadvantage or upset anybody, and significant effort is often expended to ensure 'buy-in' with a decision. The drive for buy-in or consensus can both slow down decision making and make doing new things incredibly hard.

These are issues that need strong and considered leadership to manage. Leadership needs to encourage debate and consideration of problems on their merits and ensure that participants in decision making feel they have been listened to. However, leaders must ‘take sides’, make things happen and implement change even against some resistance when necessary. The importance of leadership will only increase as the adoption of Government 2.0 tools increases and the range of voices involved in policy development and implementation grows.

#### 4. Policies and procedures

*Bureaucracies, task forces, org charts, and formal [administrative] processes do not breed innovation. They kill it. (Jarvis 2009, p. 113)*

In consultations, public servants pointed to frustration with approval processes, which can be so embedded and cumbersome that they can stifle creativity and flexibility in the workplace. One submission said:

*I think this is the major barrier/impediment to more innovation and creativity in the workplace. We will be skirting around the edges with innovative projects here and there, but we need to get to the core of the issue. We have the modern technology, but we do not have the modern work practises and work culture to go with this. We need to have the full package. Until we look at this it is going to impede any progress in the development of innovative programs that government introduces for business and the community.*

Public sector policies and rules (and how they are interpreted) can be used to block innovative options. For example, concerns about the legal and operational issues with innovative platforms and communication tools—such as Web 2.0 toolsets—can prevent or delay agencies accessing potential service delivery options. These tools, predominantly software and web-based, can dramatically open up innovative possibilities, but the process for gaining access to them (if such a process exists) is frequently arduous and time-consuming.

In particular, the creation of secure networks and control frameworks to ensure the confidentiality of, for example, Cabinet or security information held by an agency creates technical barriers to more open models of web-based interaction with the public. The focus of ICT management tends to be on why such control frameworks make a more open approach impractical, rather than on ways to address the hurdles they create:

*I shouldn't have to 'go around' my IT Security section and, I suppose, blatantly disregard departmental policies, in order to be innovative ... they should be saying 'here are the risks, how can we help you deal with them?'* (Submission)

However, the attitude of ICT management is understandable. The risks and punishments for a breach of security or a leak of confidential government information are high and can outweigh the rewards from establishing improved interaction or service delivery through the use of Web 2.0 tools.

Similarly, inflexible security or confidentiality policies can constrain innovation. They can impact on access to information, whereas freeing up information and actively encouraging exchange and collaboration across an agency will promote innovation.

In order to free up access to information, the Australian Government announced reforms to the *Freedom of Information Act 1982* (FOI Act) as part of its 2007 election policies in order to promote an open, pro-disclosure culture across the government. The reforms are being implemented in two stages. The first stage, the *Freedom of Information (Removal of Conclusive Certificates and Other Measures) Act 2009*, commenced on 7 October 2009. The Information Commissioner Bill 2009 and the Freedom of Information Amendment (Reform) Bill 2009 were introduced into the parliament on 26 November 2009 and referred to the Senate Finance and Public Administration Committee for inquiry and report. The government has also announced proposed reforms to FOI fees and charges to reduce the costs associated with access requests.

## 5. Efficiency and resources

*Making the business case for an innovative solution can be difficult. Business case evaluation is typically ROI [return on investment] driven. An innovative solution carries inherent risk of a new approach. An innovative solution can be more difficult to cost than a tried-and-true solution. (Submission)*

Availability of resources can be a significant barrier to innovation. In many ways, this sits in constant tension with the necessary push for efficiency in government.

The public service has an obligation to use resources efficiently. In Australia, each federal agency has to deliver a yearly 'efficiency dividend', which has operated in some form since 1987-88. This provides a continuing pressure on agencies to ensure that productivity improves, and can act as a spur to innovation.

Yet many innovative ideas require time and funding for their development, testing and implementation. As shown by the S curve in Figure A3.2 (Appendix 3), an extended period will often be needed before an innovation achieves better outcomes than the current solution. However, public servants can be reluctant to incorporate such elements into budget planning for fear that those elements will be seen as too big a risk and that resources would be better allocated elsewhere.

A similar problem can arise when the staff member who puts forward an idea is tasked with investigating it, taking it to implementation, or both.

While many proponents are keen to carry their idea forward and to help implement it, their keenness is blunted when they are expected to do this on top of existing responsibilities. In addition, they might not have the skills to investigate or deliver on the idea by themselves. Thus while the individual may be given an opportunity to pursue their idea, they are given no corporate support to do so. In such circumstances, managers can be confronted with a difficult situation: the same tasks have to be done, and they may not have the resources available to offer the proponent spare time or assistance to investigate the idea.

## **6. External opposition**

Just as external public pressure can serve as a source and driver of innovation, it can also constitute a barrier. Inherent resistance to change can mean that the innovation process may barely be underway before opposition is expressed and mobilised. Existing stakeholders who feel they have a stake in the current system may resist change despite its inherent benefits. In some quarters, a suspicion that government-sponsored changes are usually aimed at saving money and cutting services will provoke resistance—innovation can be perceived as code for ‘removing something we like’.

Some issues may be seen as inappropriate for government involvement, or the exploration of an idea may be misinterpreted as a government endorsement of a controversial position. Also, the process may be at fault. The innovation might not have been well explained beforehand or the transition might have been poorly managed, becoming an unwelcome and/or misunderstood surprise. In addition, support for an innovation may be rattled by early problems or setbacks during the implementation phase.

In each of these circumstances, negative public or stakeholder reaction can cause an innovation to be scrapped. This is not to say that responding to external feedback is bad—there is always the possibility that the new idea or system may be an inferior solution—but overreaction to limited or poorly informed feedback can stop a new idea dead in its tracks. It can also stifle the desire to innovate by giving support to the perception that good ideas will not be defended from unfair criticism.

External reaction needs to be considered and carefully balanced against the strength of the case for innovation. Unless the pressure for innovation is very strong, the risk side highlighted by external criticism often seems weightier than an uncertain innovative outcome.

## **BARRIERS TO THE GENERATION AND IMPLEMENTATION OF IDEAS**

### **7. Skill sets and mobility**

There is a strong emphasis in public sector recruitment on experienced administrators and regulators. While understandable, such an emphasis can lead to a narrower than desirable skills base. There is an argument for more skills-based recruitment, with a focus on creative and lateral thinking, problem solving and collaborative abilities to ensure the range of skills required by a 21st century public service.

To achieve this, the public sector should aim to recruit a more diverse range of people (with diverse backgrounds, experiences, skills and ways of thinking) and to draw on that diversity when forming project teams or developing new proposals.

Frequently, private firms seek out individuals with aptitude and creativity as a mechanism to bring new ideas into the company. They see that acquisition of more traditional work skills can be done 'on the job'. Current public sector recruitment practices often seem based on seeking to recruit in its own image and arguably much of the current use of consultants is aimed at addressing the resulting deficits in public sector skills.

A range of factors has operated in Australia to discourage movement between the private, public and academic sectors. The traditional view of the public service, as a 'career service' that people enter as school leavers or graduates and remain in until retirement, has contributed to a lack of public sector mobility. Staff conditions, such as superannuation systems, have been based on this view and have proved powerful disincentives to mobility (however, this is now less of an issue with more recent changes in public sector superannuation).

In an ideal system, there would be no penalties for moving in and out of the system and the public sector would be able to attract highly skilled people from the business and academic sectors. However, barriers remain, and it may require a proactive effort to attract a more diverse range of recruits.

Consultations also referred to the ineffective use of graduates recruited into the public sector and the lack of mentoring and supportive environments for innovation. Graduates are often taught and encouraged to be innovative in universities but are then required to conform to the system when they join the public service. Placing greater value on retaining and utilising their innovative abilities could help to better develop internal capabilities for innovation in the public sector.

## 8. Failed innovations

Public sector agencies are justifiably wary of discussing failed innovations, which could be held up as examples of waste and inept government, but it is through evaluation, learning from mistakes and iteration that ideas can be improved and mistakes avoided in the future. If failure is not discussed and analysed, the lessons of failure are unlikely to be learned and the innovation process will remain riskier than it need be. Indeed, in the private sector, a failure is a badge of honour for the entrepreneur because of the lessons learned through the innovative journey.

## 9. Procurement requirements

Procurement can foster or stifle innovation. The expenditure of public funds is a serious responsibility and is subject to a range of legal obligations. At the federal level, the *Financial Management and Accountability Act 1997* (FMA Act) makes agency chief executives directly responsible for the ‘efficient, effective and ethical use’ of public funds in a way consistent with government policies. It also provides authority for the FMA Regulations, which in turn provide the framework for the *Commonwealth Procurement Guidelines* (CPGs). At the agency level, the particular agency requirements that capture and reflect the obligations of the FMA Act and Regulations and the CPGs are set out in an agency’s Chief Executive’s Instructions. While necessary, the overall framework of rules can appear daunting and it is clear why public servants may be risk averse when procuring.

The standard procurement approach in the public sector is to ask the market to respond to a specific set of requirements, on the basis of either internal knowledge or external scoping. While this simplifies assessment, it also commonly locks out innovative solutions.

Innovative technologies are often outside the scope of large tenders, because the specifications for government tenders take time to develop and finalise and new or experimental elements present unwanted risks and complications to the procurement process. In addition, while ‘value for money’ is the accepted basis of government purchasing, there is a strong (both perceived and actual) emphasis on achieving the lowest price. In part, this reflects the skills of the procurers—the lowest price is clear, but it is harder to assess value for money. When bidders are competing largely on price, they are reluctant to include features that are not mandatory. Innovations can end up in a ‘nice to have’ appendix, if included at all.

Inflexible standard contracts and mandatory terms and conditions can also serve to discourage innovative solutions to public sector requirements. However it should be noted that notwithstanding the rigidities of procurement rules, current Australian Government procurement regulations (see below) do allow, under specific circumstances, for public sector organisations to procure innovative goods and services obtained through the receipt of unsolicited innovative proposals (direct sourcing<sup>4</sup>).

---

<sup>4</sup> The *Commonwealth Procurement Guidelines* (2008) define ‘direct sourcing’ as ‘a procurement process in which an agency invites a potential supplier or suppliers of its choice to make submissions. For covered procurements, direct sourcing is permitted only under certain conditions.’

The Commonwealth Procurement Guidelines (Division 2, Clause 8.33 (c)) states that an agency may conduct a procurement through direct sourcing ‘for purchases made under exceptionally advantageous conditions that only arise in the very short term, such as from unusual disposals, *unsolicited innovative proposals* [emphasis added], liquidation, bankruptcy, or receivership and which are not routine purchases from regular suppliers’ (DoFD 2008, p. 31)

## 10. Recognition and feedback

*Everyone is too busy trying to cope with things as they work now ... They don't have the energy or time to devote to innovation. And why would you, if your effectiveness, success and career is judged by BAU [business as usual] deliverables? (Submission)*

A common complaint in consultations was that, while staff may be interested in being creative and innovative, there is rarely feedback on ideas, fostering of innovative initiatives or recognition of those who do innovate. Without that feedback, people putting forward ideas quickly feel frustrated, disengaged and cynical. Ideas may be dismissed for good reasons, but that information is often not conveyed back to the proponents and there is no way for them to respond or iterate their ideas. The ideas are seen as going into a black hole.

For those that do innovate, there is not always the reward and recognition that they might expect. New ideas are sometimes accepted almost grudgingly by agencies. The time between concept and successful implementation is often years, and those involved in proposing the innovation may have moved on, unrecognised, to other things long before innovative success is achieved.

In the private sector, the use of reward mechanisms such as ‘gainsharing’ (in which innovators share in some of the gains or savings arising from their innovations) and performance bonuses is a common way to boost rates of innovation. In the public sector, this is often not appropriate or feasible.

Too often, agencies and management are not trained or encouraged to provide feedback or recognition. Because innovation is not measured or reported against, they have little incentive to focus on it when there are many other competing demands against which their own performance is measured.

## **BARRIERS IMPACTING ON GENERATION OF IDEAS**

### **11. Measurement and impact**

If innovation is not a strategic priority, public sector agencies are unlikely to focus on and measure their innovative practices. Innovation rarely features in an agency's performance measurement system, and what is not measured (or measurable) is usually not seen as important.

This is not a problem unique to the public sector. Consultations identified that a number of private sector organisations had abandoned innovation activities specifically because they had not measured their efforts and impacts and thus could not demonstrate any return on investment or otherwise justify the commitment of resources.

While the resources invested in innovative effort can be easily quantified, the impact of the innovative activity can be much more difficult to quantify, and it can take a significant time for that impact to become clear. In addition to quantitative data, this can also require the measurement of qualitative data, which is more difficult to capture. Timing is also a problem. In many areas of public sector activity it can take a considerable time to demonstrate the impact of new policies or approaches. Early attempts at measurement or evaluation will not capture the longer term impacts.

This issue is compounded by the fact that there are no simple measurements that can be readily adapted to measure innovation or its outcomes in the public sector (Arundel and O'Brien 2009). This is an issue facing various governments around the world. Work to develop relevant measures is being undertaken by a number of bodies overseas, including the Organisation for Economic Co-operation and Development (OECD).

### **12. Divergent employment conditions**

Consultations indicated that differences in employment conditions between agencies can be a disincentive to moving between agencies. Those people in agencies with better conditions and remuneration faced a disincentive to move to agencies with lesser conditions. This is a significant issue, as openness to new ideas and practices is an important factor in fostering innovation, and increased mobility within the public service assists both that openness and the building of links between agencies and projects. (However, we also note that inflexibility in employment conditions could prevent public sector agencies from attracting and recruiting the best staff, including from the private sector.)

## BARRIERS TO SELECTING IDEAS

### 13. Lack of champions

Clearly, the course of innovation does not always run smoothly: there will always be barriers to overcome, particularly in the public sector. Often what is required is someone who really believes in an idea, ideally someone of some seniority or influence, to champion the idea and help overcome the hurdles. In the public sector, perhaps because of a lack of incentives and rewards, there seem to be few champions with the willingness, capabilities, influence and resources to sponsor or drive innovation through the layers of management or across boundaries within and between agencies. Yet, a champion with influence and new ideas can transform organisations—for example, Steve Jobs at Apple and Al Gore regarding climate change.

### 14. Scrutiny

*Public scrutiny and media cynicism make it dangerous for public employees to launch any sort of new initiative except the kind that is virtually guaranteed to succeed. (Eggers and Singh 2009, p. 39)*

A defining characteristic of the public sector is that it is (rightly) subject to broad scrutiny—public, parliamentary and from the media. When a public sector innovation fails or is less than a total success, there is always the prospect of political consequences. Our political system is based on a parliamentary opposition convincing the public that it can do a better job than the elected government, so highlighting any failure in a government initiative is almost irresistible. The media tends to report on this basis—a scandalous or inept failure makes a good story. Scrutiny of these issues is usually based on a premise of fault. This provides a strong disincentive to innovate unless the proponent is almost certain that the initiative will succeed. No-one wants to embarrass their agency or their minister or be responsible for negative media attention.

### 15. Policy

The public sector supports the government of the day by implementing its policies. While this does not prevent agencies from putting forward innovative ideas that may be divergent (to either a small or a large degree) from existing government policy, it makes it harder to sell the merits of those ideas. Senior executives and ministers may recognise the value of a proposal, but if it would force the government to recant an established policy position it is much less likely to be accepted.

Innovations can also occur at the wrong time in a political cycle and be caught up in a change of priorities. Innovations that feed into the government's priorities, particularly those that hold the promise of addressing problems facing the government, will have a good prospect of support. In some instances, an innovative idea will need to wait for the right time and climate to attract the support it may deserve.

## 16. Hierarchy

*... innovation often faces higher hurdles in a hierarchical organization—particularly a government bureaucracy—than within networks, because a host of internal horizontal constraints tend to restrict the interaction necessary to develop good ideas and vertical barriers prevent the developed ideas from bubbling up to decision. (Goldsmith and Eggers 2004, p. 30)*

Innovation tends not to thrive in highly hierarchical organisations and can pose challenges to existing hierarchies. Within agencies, rank or level has traditionally determined whose ideas are listened to or considered. If an agency solicits and filters ideas on the basis of expertise and ability instead, that may challenge the position or authority of some. Hierarchical structures also mean that any new ideas need to go through a number of layers of approval processes. It is easier to take forward an innovative idea in organisations with flatter structures and more open, interactive processes.

There is a perception amongst many public servants that getting ideas in front of the right people is much harder than coming up with the ideas in the first place. As one commentator put it, 'the layers of managerial clay are a major barrier—nothing gets through.'

## 17. Silos

The public sector tends to operate in silos—each tier of government has different responsibilities, agencies are given distinct areas of those responsibilities to manage, and so on. Different cultures, procedures and norms are established at each level and in each agency, thus reinforcing the divisions. To maximise their efficiency and effectiveness, agencies seek to minimise staff turnover and encourage their staff to remain with them for long periods, thereby further entrenching distinct agency cultures and values.

Traditionally, there has been significant competition between APS agencies, particularly where their responsibilities intersect. While this generally appears to be diminishing, antagonism between central and line agencies, for example, continues to feature. The 2007-08 *State of the Service Report* (APSC 2008, p. 91) indicated that 58 per cent of respondents saw themselves as employees of their agency versus 42 per cent who saw themselves as employees of the APS.

These divisions can be a significant barrier to sharing knowledge and to collaborative action. Cross-agency projects are becoming more common, but they face a number of obstacles. The first is that there must be both an appreciation that collaboration can lead to a better result and a will to work together. Once this decision is taken (often at a high level, by ministers or Cabinet), public servants tend to work across boundaries quite effectively (and even come to appreciate and enjoy the experience!).

These exercises do however face logistical hurdles. They must often conform to many (possibly conflicting) sets of requirements, and that can be a significant administrative burden. It is also cumbersome to allocate and manage funding across agency boundaries, and this often causes interagency conflict. Roles and responsibilities must be clearly specified, possibly requiring the development of a new operational model for each project and new interagency agreements.

Cross-agency innovations tend to originate from the political level or high up in the organisational hierarchies. This is where there is greater interaction between agencies and more power to broker agreements. Without suitable mechanisms to support interaction at lower levels, smaller opportunities to work together and be innovative will be lost.

APS agencies often operate with a divide between policy development and program delivery. Unless there is good communication between those elements, this can impede the innovation process by removing those developing the policy from the actual experience of delivering the program and the interaction with those receiving the service. The split can even be across portfolios, if those responsible for delivery are in a different agency from the policy developers. These divisions can be negated by using collaborative processes to develop solutions using the insights of all parties.

*The major barriers to innovation result not from failures of individual genius but from failures of collaboration—the inability to exploit existing capabilities in revolutionary ways. (Cross and Thomas 2009, p. 66)*

## **18. Legislation**

Legislation is written in the context of the present day and the knowable future—it is not possible for laws to be drafted in a way that effectively accounts for every possible future scenario. Thus, legislation may inadvertently become a barrier to innovation by preventing a future approach or behaviour that was never contemplated during drafting (but, had it been contemplated at the time, would have been deemed acceptable).

## **BARRIERS TO IMPLEMENTING IDEAS**

### **19. Accountability**

The public service must be accountable for its actions. The public needs to be able to trust that resources are being used effectively in line with government policy and that there is no bias or inequity in how they are used.

Yet, in some ways, innovation conflicts with basic accountability frameworks. Being an innovator is about dealing with uncertainty and unpredictability that make accountability difficult. Innovation requires flexibility and variety, rather than standardisation. Accountability arrangements can reduce flexibility and thus inhibit opportunities for innovation.

These issues can be exacerbated when the innovation extends across agencies or to external groups to deliver solutions. Reporting lines become even more complex and respective responsibilities can blur.

*Experience in Australia and internationally points to an inherent balancing act or trade-off between accountability and flexibility and innovation. (APSC 2009c, p. 24)*

Accountability has been thoroughly explored by the APSC, which has recently recommended the adoption of a 'fit-for-purpose' approach to government accountability frameworks (APSC 2009d). The ANAO better practice guide on innovation also provides advice on balancing risk with the demands of accountability (ANAO 2009).

### **20. Staff resistance**

Sometimes the barrier to innovation can be the staff within an agency. They may see innovation as a euphemism for something unpleasant because it may lead to changes to their jobs or their work, leaving them feeling uncomfortable or underskilled. It may change how they interact with clients and stakeholders and put them in what they feel is a difficult or unpleasant situation.

Staff may see the innovation as actually reducing service standards. It may be seen as something requiring substantial extra effort from them, but with little recognition or recompense. In some circumstances, this resistance may be entirely justified and the innovation should be reassessed, but in many cases it is a barrier that will need to be addressed by a change management process directed at, and involving, the agency staff.

## 21. Reluctance to let go

Program delivery has its own inertia. Some of those consulted said that the public service is not good at stopping programs or re-evaluating the impact of programs that may be outdated. The public service is readily able to implement new programs and services, but getting rid of outdated or unneeded programs appears to be harder. The agency and its staff have a stake in the existing program, and the suggestion that it is no longer needed can pose a challenge to their importance and relevance.

There is often a justification that the service is essential and still required by stakeholders or clients. However, consultations identified that at other times this reluctance has more to do with an agency being unwilling to risk giving up the resources involved or not wanting to let go of a program for which it has perfected the administration over many years. A long-running service is more likely to be operating smoothly and performing well, but it might also no longer be necessary. Even if the service is still necessary, there may be better ways to achieve the same outcome that the agency may not be considering.

## BARRIERS TO SUSTAINING IDEAS

### 22. Sustaining innovation

*Public policy needs to ensure that the appropriate architecture is in place not just to create multiple innovations but to ensure the sustainability of successful ones. (Osborne and Brown 2009)*

Without a simple indicator of success, such as profit or return on investment, it is important not to assume that innovations in the public sector will automatically spread or continue once implemented. In some cases, there is a tendency to return to previous models if an innovation does not prove itself over an unrealistically short period. If an innovation has met with resistance, a change of policy or government may provide an excuse or opportunity to revert to previous practice without any rigorous evaluation of the change.

Even clear success does not necessarily mean that the innovation will sustain itself. For example, it took 240 years from the time it was known that lemon juice prevents scurvy before its use was standard practice in all British ships (Osborne and Brown 2005, p. 196). In the public sector, we have no organised approach to identifying and disseminating successful innovations; instead, it is an ad hoc process. Consideration and effort has to be dedicated to embedding the innovation, but post-implementation support is often neglected.

### 23. Identifying success factors

One of the significant barriers to innovations being scaled up, diffused or widely replicated is that it can be difficult to know what led to the successful outcomes. Sometimes this is due to poor design or poor key performance indicators.

While the innovation can be pointed to, the context in which it was introduced, the skill of the people who led and supported it and the supporting infrastructure all need to be considered. It may have been only one small part of the innovation that led to success, or it may have been some other factor that coincided with the innovation's implementation. Without evidence, analysis and evaluation, as well as support for sharing and codifying the lessons of the innovation, the task of identifying what made an innovation work can be extremely difficult.

#### KEY POINTS

- There is a diverse range of barriers to innovation in the APS.
- Some of those barriers impact on all phases of the innovation cycle; others affect specific parts of the cycle, such as the generation, the selection and the implementation of ideas.
- The impact of the barriers is heavily dependent on organisational context. Similar organisations may face widely different barriers, depending on their culture, structure, practices and leadership.

## **CHAPTER 5. INNOVATION—SOURCING AND PARTNERING**

---

*In today's world, no single organization, private or public, will likely have the ability to develop all necessary innovations in-house. Neither can they afford to ignore internal capabilities. (Eggers and Singh 2009, p. 114)*

We know from research into innovation in the private sector that, apart from internal sources, customers and suppliers are leading sources of innovations (Thornton 2009). Like those businesses that innovate most effectively, the public sector must work with its key stakeholders to help it improve and update policies, programs and services and to meet the new challenges of the 21st century. Partnerships can also allow governments to share risk and to leverage the investments that other organisations have already made in developing new ideas and systems (Eggers and Singh 2009).

### **CITIZENS, CLIENTS AND CUSTOMERS**

Citizens, clients and customers, as the end users of government services, have significant personal investment in and interaction with those services. They usually have strong views on how services could be improved. They want services to be delivered so that they are tailored to users' needs, preferences and wants.

Actively listening to community views and concerns and acting on those ideas will mean more focused and effective public sector policies and programs. Consultations reinforced the need for the APS to build its capacity to capture the views of citizens. Current methods of acquiring feedback, such as satisfaction surveys and complaints or compliments received, give useful but limited information. To elicit the most useful information, government needs to proactively seek input from the user community— and that input needs to be deeper and broader. New technologies have the potential to speed up and improve this process.

Some government agencies and community organisations offer interactive websites and seek comments through social networking tools such as Twitter, Facebook and blogs. Those tools can complement the more traditional storefront, phone and email contacts and are well understood by the younger community and workforce.

Knox City Council (Victoria) has an emphasis on involving the community through interactive media. Its Place Management Project sought new ideas for upgrading the local shopping strip. The project used social networking tools to capture the community's views as well as holding open forums. The project started by asking citizens how they visualised an ideal commercial space for Knox. This led to feedback that people wanted to reinvigorate the community hubs to create a more 'village' feel. The project set a new direction for the redevelopment of the shopping strip and other commercial spaces to include better access, streetscapes, open areas, coffee shops etc.

Understanding the different perspectives of citizens and external groups is essential if the government is to implement policies and programs that make a constructive contribution 'on the ground'. The Department of Health and Ageing's yourHealth website is an example of the on-the-ground approach.

The website [www.yourHealth.gov.au](http://www.yourHealth.gov.au) aims to provide Australians with a means of contributing their stories, views and ideas about improving the health system.

The website provides a Web 2.0 platform for online community consultation. Built around three health reports, it is an easy way to conduct a national discussion with Australians to collect views across all areas of health reform.

YourHealth provides an integrated set of formal and informal consultation tools built on Web 2.0 principles. It supports community participation that ranges from simple reading and reflecting on the reports, to sharing links with others, to voting in quick polls and blog posts, to providing comments and views, and to telling individual health stories. To encourage participation, yourHealth uses online announcement tools such as Twitter, RSS and email announcements, as well as cross-linking from other health-related sites.

The tools are reusable and extensible—a capability that will reduce future administrative burdens and streamline any further stakeholder or community engagements by the department.

The website is being continually updated to improve the user experience, add new ways of making submissions, and provide new ways to visualise content provided by the department or submitted by users.

In a two-month period (July–September 2009), the yourHealth site had over 60 000 visitors, 55 submissions and 3380 votes on quickpolls and the blog. In the same period, more than 400 people subscribed to the website's email list and 267 people followed its Twitter stream.

The April 2008 Australia 2020 Summit was an example of citizen engagement by government to identify policy priorities and options. Its aim was to help shape a long-term strategy for the nation's future. The summit gathered ideas and debated options in 10 critical areas: education, infrastructure, indigenous issues, rural issues, health, strengthening communities, creativity, governance, and security and prosperity. The April 2009 government response considered the 900 ideas generated and outlined the ideas that the government would implement, those it would explore further, and those that it would not take forward.

Some offered areas for improving the operation of the summit—for example, some found the online forum difficult to use and restrictive, and the forum was shut down days after the summit. Such comments demonstrate that innovation and citizen interaction can be challenging and that citizen expectations about the quality of user interfaces are high.

As well as creating channels for public input to future policy options (the 2020 Summit) and to existing policy and programs (the yourHealth website), governments frequently actively promote citizen involvement at the design and development stages of policy through various forms of consultation. Citizen involvement in the policy design process assists policymakers to understand how users will experience and interact with various proposals.

However, the usefulness of the output of consultations depends to a significant extent on the quality of the consultations, and it is worth thinking carefully about the approach and the tools to be used to get the best results. Some governments have established specialised units to engage the public and the user community. MindLab in Denmark is a unit set up to actively work on user-centred innovation.

MindLab (established by the Danish Government in 2001) is a cross-ministry unit for citizen-centred innovation. Its mission is to involve citizens and businesses in developing new solutions for society.

MindLab focuses on user-centred innovation. It involves citizens and businesses in the development of innovative public solutions and in carrying out government-wide projects in areas such as climate change, immigration and better regulation. It also undertakes more specific engagement for individual ministries in areas such as business services, employment services and policy, and digital tax services.

MindLab has five strategic goals for creating value for the three ministries it serves: contributing to innovation; efficiency; transformation of ministry culture; knowledge development and dissemination; and communicating results.

It consists of 12–14 people with specialist skills, including sociologists, IT specialists, anthropologists, designers, and political scientists. It does 10–15 development projects annually, carries out qualitative research activities based on anthropological approaches, runs workshops and seminars to co-create with citizens and businesses, tests new ideas in practice, in particular through service design strategies, and conducts academic research, documenting and sharing new methods.

User-led innovation and co-creation, as often occurs in the private sector, forces a shift in thinking about how ideas and content are generated. Content is no longer confined to a dedicated individual or team. It comes from a diverse group of participants. The development of open source software is an example of this shift (because source code is made publicly available, any programmer can contribute their code and ideas to program development). The greater contestability of policy advice to government is another example that looks set to expand further as greater use is made of the capabilities of current technologies:

*User-led innovation is transforming the way many organisations develop new products, services and knowledge. Service-based organisations in particular can benefit from leveraging the participation of their audiences, customers and citizens. Today's consumers have much greater input into the creation and dissemination of the products and services they consume. (Sharp and Saloman 2008, p. 10)*

While it will take time and experimentation for the public sector to work out the most effective means of utilising new technologies to capture useful public input, it is a journey that we have commenced and the Government 2.0 Taskforce's report, (*Engage: getting on with government 2.0*, 2009), sets out useful principles and directions.

## INNOVATION FROM WITHIN THE PUBLIC SECTOR

As noted in Chapter 3, the *State of the Service Report* and consultations indicated an openness and positive attitude to innovation among the majority of public servants. While they may feel that innovation needs more support in the workplace, it is clear that many welcome the opportunity to develop and implement new ideas.

*Even more remarkable, public servants innovate not because of financial incentives or personal rewards, and not even because they are given support (which they generally are not). They innovate because of a public service ethos. (Bourgon 2008, p. 400)*

Public servants are often motivated to innovate because they can see better and more effective ways of doing their job or of delivering government programs and services. Frontline staff in particular, because of their first-hand experience, often have views on how government services can be delivered differently. However, the further away from the centre of agency decision-making that staff are, the less opportunity they have to provide innovative ideas and input. Unless agencies have a mechanism for capturing and considering staff ideas—and not just those of senior staff in central office but of all staff, including those at the front line of program delivery—they are losing one of the richest potential sources of new ideas.

In focus groups, staff were concerned that their ideas and possible innovations were being judged and dismissed prematurely by supervisors. Some felt that existing hierarchical structures were obstructing the adoption of new ideas. As one submission said:

*Individuals or collaborative groups who are self motivated and have a strong focus to make things happen and who can see opportunities to apply innovative solutions or create through initiative and innovation new resources or services, find their efforts to achieve these things constantly restricted or just shut down because such activity is seen as a counter to the accepted centralized operational model.*

Clearly, if the innovative potential of staff is to be captured, a channel for the provision and consideration of new ideas is required. Some agencies do have staff suggestion schemes of various degrees of sophistication. As with consultation, the usefulness of the output usually reflects the quality of the suggestion scheme. The challenge is to establish a channel for staff input that is effective but that passes the cost–benefit test.

## POLITICIANS AND POLITICAL PLATFORMS

The political realm is a key source of innovation. Governments and alternative governments vie to develop the most effective policy ideas, and a change of government or even of a minister can herald new ideas or approaches. This can include approaches that are very different from the existing strategy and can involve quite radical innovations.

One example was the outsourcing of employment services introduced in 1996. As part of the 1996-97 Budget, the new government announced a move towards the 'outsourcing, or contracting out' of employment services previously provided by the publicly owned Commonwealth Employment Service and Employment Assistance Australia. Those services were now to be provided by contracted bodies, which were to be paid according to their success in achieving various performance indicators and delivering outcomes set by the government. In essence, they would be paid by the Commonwealth according to how successful they were in placing people into jobs.

This reform, leading to the establishment in 1998 of Job Network, was one of the first comprehensive attempts internationally to apply market principles to the provision of active labour market assistance for job seekers.

Radical ideas that can drive significant change require political support and authorisation for implementation and often originate at the political level. Their implementation by public servants usually also requires a significant amount of innovation in taking a radical new approach and turning it into a workable and accepted new procedure.

## **ACADEMICS AND SPECIALISTS**

Academia is rich in ideas, data and knowledge. It also provides insight, analysis and evaluation of ideas and innovations. Of course, it is part of the broader canvass from which governments draw policy advice, but there is evidence to suggest that productive collaboration between academia and the public sector is underdone.

Several submissions noted the importance of collaboration between the APS and universities and academic think tanks, pointing out that those resources were largely untapped. While interplay between government and the academic sector is more prevalent in other countries, such as the United States, in Australia there is a historical mindset that identifies universities with formal education and fails to acknowledge their role in research, critical analysis of public policy and the advancement of knowledge.

A number of public sector agencies have established fruitful partnerships with academic institutions. For example, the Australia and New Zealand School of Government (ANZSOG) was established as a not-for-profit company in 2002 with the vision of creating a world-leading educational institution that teaches strategic management and high-level policy to public sector leaders. Formed by a consortium of governments, universities and business schools from Australia and New Zealand, the school is also home to a substantial research program that aims to deepen government, community and academic understanding of public administration, policy and management.

Another example is the establishment of Australian Defence Force Academy in 1986 through a partnership between the Australian Defence Force and the University of New South Wales to provide training and education for the future leaders of Australia's navy, army and air force. Through that partnership, cadets are able to complete three- and four-year undergraduate degree programs in arts, business, engineering, science and information technology. The university education (as well as the military training undertaken) aims to ensure that participants possess the knowledge, skills, professional abilities and qualities of character appropriate to officers in the Australian Defence Force.

Recent speeches by Prime Minister Kevin Rudd have recognised the potential to develop a deeper and richer relationship between the academic sector and public policymakers. In his John Patterson Oration, the Prime Minister said:

*...for too long in Australia, thick walls have existed between places of research and learning, and places of policy making and implementation. Those thick walls do not enhance either the quality of public administration or the quality of academia. (Rudd 2009)*

The first fruits of this approach were embodied in the recent announcement of a new National Security College, to be headed by a former secretary of the Department of Foreign Affairs and to be based at the Australian National University.

In addition to these formal partnerships, it is important not to forget the value of serendipitous partnership and collaboration brought about by openness. This kind of partnership often occurs where agencies make information freely available, even though they do not necessarily know what outsiders are going to do with it. Such interactions are becoming more common in the Government 2.0 world, where individuals are 'mashing up' data from a range of sources, with potentially highly useful outcomes for individuals, agencies and end users.

More productive partnerships, both formal and informal, between the academic sector and public policymakers have the potential to boost the quality and speed of innovative effort in the public sector.

## **NON-GOVERNMENT ORGANISATIONS**

The APS works with a large number of non-government service providers. These groups often use innovative techniques to deliver services, some of which they do on behalf of government (in this sense, they are akin to suppliers in the private sector). They have a unique perspective on working with government and acting as an intermediary between government and citizens. They provide input, ideas and suggestions for new ways for government to work.

*There are three main features of NFPs [not for profits] that could facilitate innovation (1) the purpose-driven nature of their activities can give freedom to explore new approaches to achieving that purpose ... (2) The cost of failure maybe lower for NFPs ... (3) The process of trying new things can be a highly valued part of what the NFP offers to its staff, members and clients. (Productivity Commission 2009, pp. 9.2–9.3)*

In addition, the close engagement of many not-for-profits (NFPs) with community groups places them in a good position to conduct trials and pilots, and to test the application of government policy.

Many of the community organisations consulted identified a mismatch between the on-the-ground needs that they report to government and government's responses. They want innovative feedback systems to ensure that their views and submissions to government affect policy outcomes more quickly and effectively. A reaction (or worse, a partial reaction) after 12 to 18 months is inadequate.

With the outsourcing of many government services to NFPs, the differences of scale between the government and many smaller NFPs can create ongoing difficulties. For example, there is increasing concern about the shuffling of service delivery risks from the government to the non-profit sector. Most community organisations are ill-equipped to bear a constant load of commercial risk. Rare examples of government agencies becoming both funders of and risk sharers with non-government organisation contractors may point to future models for the delivery of social services.

It is important to note that a range of commercial service providers provide similar services to many NFPs (for example, in the area of employment services, to which much of this section also applies).

## **BUSINESS**

Companies innovate continuously in order to find new approaches, products and services and to remain competitive. Private sector innovation has heightened community expectations and is indirectly driving innovation in the public sector by increasing the public's awareness of those areas where the public sector is not keeping pace.

Business is an important supplier to government and a potentially rich source of new ideas. In a services-dominated economy, private firms will frequently be contracted to provide government services. In some sectors (defence, in particular), their role in developing innovative products for government use is critical.

The Australian Advanced Air Traffic System (TAAATS) was developed by the French company Thompson (now Thales) and Airservices Australia, and was introduced in 1999. TAAATS is the hardware and software system used by Airservices Australia for air traffic control services across Australia as an aid to air traffic controllers. It is a computer-based system that does not control aircraft, but gives the user a display of information about an aircraft's position and associated information. It also handles communications and other information exchanges.

The development and introduction of TAAATS greatly simplified the management of Australian airspace and reduced the number of control centres needed from six to two.

Either through direct engagement (for example, procurement) or through other means, business can be a vital partner in delivering and achieving innovative solutions.

The potential for innovative input from business depends in large part on the quality of the engagement.

## **INTRAJURISDICTIONAL AND CROSS-JURISDICTIONAL LEARNING**

Other public sector agencies and jurisdictions are an obvious and very useful source of ideas and experience. Learning from other jurisdictions is a relatively easy way to source innovative ideas, obviating the need to reinvent the wheel every time agencies seek to do something new. It would be rare not to find a precedent for most of the public sector activities we undertake, and having a good knowledge of what has worked and not worked elsewhere can be invaluable in seeking to implement new ideas. It can also save considerable time and money.

In the APS, some policy areas or project teams use 'environmental scanning' to see what has been done elsewhere, what has worked, why, and how it can be adapted for another policy or project. Once an idea has worked for one jurisdiction, it should be available for use in another, with appropriate tailoring to local requirements.

However, the public sector is generally not good at documenting and disseminating the outcomes of its innovative efforts, particularly when those efforts are less than successful. Even within the APS, where agencies have a great deal to gain by sharing relevant experience in trying new approaches, the extent to which that occurs is rather limited and ad hoc. Collaboration that allows agencies to learn from each other and across jurisdictional boundaries encourages innovation and speeds the process. The flow of ideas will be greatest when there is openness between agencies and a willingness to explain what worked and why. Agencies within the APS should focus more strongly on sourcing innovations from each other.

Resource and efficiency considerations are driving agencies with similar objectives to work together more, and that will assist. The creation of the Human Services portfolio, for example, was designed to bring together a range of disparate service delivery agencies that stood to gain by sharing resources, knowledge and experience. Collaborating on future systems and approaches should pay innovation dividends.

Council of Australian Governments (COAG) processes, through which the Commonwealth and state jurisdictions have a forum to address issues of common concern and share relevant experience, also provide opportunities for shared learning and innovation. This was demonstrated in late 2008 when COAG reached in-principle agreement on the new Intergovernmental Agreement on Federal Financial Relations, in which the council agreed to six major national agreements and various national partnership agreements in the areas of health care, education, skills and workforce development, disability services, affordable housing, and Indigenous reform. Shared learning will be inevitable where multiple layers of government are involved in implementing large projects.

## **INTERNATIONAL**

As noted elsewhere in this report, governments around the world are facing issues similar to those faced by the APS in stimulating new and innovative responses to the challenges of the 21st century. There is a long history of the public sector borrowing ideas across national borders and adapting them to solve local versions of similar problems. At the international level, organisations such as the OECD are an invaluable source of information and analysis about the public policy experiences of comparable governments. The OECD Innovation Strategy due for completion in 2010 will be a particularly important contribution. In addition to the OECD, a range of other international forums are important sources of innovation examples, lessons and insights.

However, care is needed to ensure that ideas are not transported holus bolus without consideration of differences in size, demography and political, cultural and historical settings that can affect the likelihood of success.

Annex 1 outlines some of the activities of a number of other countries that are working on public sector innovation.

## **INFORMATION MANAGEMENT AND EVALUATION**

Effective management of information is important as a basis for innovation within agencies and the public sector as a whole. Information management can illustrate trends and developments and highlight innovation gaps and opportunities.

Building on information management, evaluation can also be a powerful driver of innovation. Evaluation of previous initiatives provides insights that can lead to the development of further innovation. By showing where previous efforts have or have not worked, opportunities for innovation can be identified and new approaches trialled, or previous innovations can be refined and improved. To achieve this, however, evaluations need to be frank and honest, including about what has not worked:

*... studies of what causes innovations to succeed ... must include innovation failures as well as successes. (Kelman 2008, p. 50)*

Without the evidence base provided by effective information management and evaluation it is impossible to design better solutions and systems. The collection and management of information is a work in progress in most agencies. As has been highlighted by the Productivity Commission (2007), there is significant room for improvement, particularly in the collection of longitudinal data, which is necessary to assess the longer term impact of many public policies.

In addition to collecting and managing information, making it widely available in formats that permit and enable use and reuse has the potential to generate innovation and benefit both the public sector and the wider society. The Government 2.0 Taskforce (2009) has recommended opening up access to publicly funded information through the use of Web 2.0 techniques.

In particular, the taskforce sees Government 2.0 as a key means for renewing the public sector; offering new tools for public servants to engage and respond to the community; and empowering the enthusiastic to share ideas and further develop their expertise through networks of knowledge with fellow professionals and others. Together, public servants and interested communities can work to address complex policy and service delivery challenges.

The taskforce argues that information collected by or for the public sector is a national resource that should be managed for public purposes. That means that we should presume that it should be freely available for anyone to use and transform, unless there are compelling privacy, confidentiality or security considerations.

## **TECHNOLOGY**

Technological change and developments create opportunities for innovation through new platforms, new forms of communication, or doing things differently. New technologies can change the very innovation process. Dodgson et al. (2005) write of innovation technologies, such as computer-based simulations and models or visualisation technologies that can speed the innovation process and reduce complexity. Visual tools can assist in testing the design of a new facility with users, and computer models can allow rapid testing of potential innovations and interventions before committing resources. The public sector needs to be alert to these potential new sources of innovation.

The Australian Bureau of Statistics BetaWorks site has a simple animated model of the projected Australian population by age, covering the period from 1971 to 2051 (ABS 2009b). Visual tools such as the Animated Population Pyramid can make significant amounts of data more accessible and their implications more apparent. For example, the pyramid can readily communicate the extent of expected demographic change and the need for innovation to service an ageing population.

New technologies also allow more efficient and effective service delivery. New services technologies in ICT, Web 2.0 and Service Oriented Architectures enable better matching of limited resources to the specific needs of individual citizens. The European Union has been actively exploring these possibilities by investing in what is becoming known as ‘The Internet of Services’ (European Commission 2008).

New technologies can potentially deliver services in remote locations that are cost-effective, greener and of higher quality. Advanced tools for tailoring information delivery can customise services based on customer characteristics, such as geographical location or social disadvantage. Visualisation tools can help stakeholders to understand the implications of policy decisions, particularly in complex situations.

The social sciences can also contribute to decision-support technologies for use by front-line staff and help in the design of interfaces so that people can make better decisions.

Centrelink and CSIRO have invested \$20 million in the Centrelink–CSIRO Human Services Delivery Research Alliance—a cooperative relationship to invest in the knowledge required to develop a national human service delivery system that is sustainable, citizen-centric and connected across government and public dimensions. The alliance focuses on:

- *The Human Services Ecosystem*—improved use of information assets to support services delivery outcomes and decision analytics, providing and creating options for future development and citizen-centricity as a driving factor in system evolution.
- *Place Based Services*—analytical techniques and decision-support tools to help Centrelink target investments and evaluate the benefits of support programs to Australia to achieve better social outcomes. This includes research into the causes of geographic disadvantage within cities, regions and remote Australia and the development of appropriate solutions with a view to breaking cycles of dependence.
- *Technologies for Human Service Delivery*—using technologies to increase the flexibility and reach of Centrelink’s service delivery systems. Research, development and advice will inform decisions for new standards, architectures, technologies and systems for citizen-centric services and the interoperability of organisations, services, datasets, applications and tools for quality-driven service delivery.

Technology is an important source and driver of innovation, and the public sector needs to ensure that it utilises new technologies to its advantage.

## ENHANCING CREATIVITY

This chapter identifies sources of ideas to enhance innovation in the public sector. It is also important to recognise that skills can be enhanced to encourage creativity, at both the personal and the organisational levels.

Consultations noted the importance of exposure to the new. Indeed, rates of innovation are highest among people who are regularly exposed to new ideas, and innovation is most strongly resisted by those who rarely encounter them. Organisations and teams can pursue a number of ways to enhance creativity in the workplace.

### KEY POINTS

- Working collaboratively with key stakeholders, especially citizens, clients, academia, business and the non-government sector, will facilitate innovation in the public sector.
- Agencies need to be proactive and focus on the quality of their engagement with these stakeholders if they are to optimise innovative outcomes.
- APS staff provide a rich source of new ideas, but effective channels for staff input are required to capture that innovative potential.
- Public sector agencies are not good at documenting and sharing the outputs of their innovation efforts. Greater focus and effort should be directed at learning from each other.
- Effective information collection and management, and the broad availability of public sector information, are essential underpinnings of innovation efforts.
- Technological developments are a rich source of innovation possibilities, which the public sector must assess and utilise where appropriate.

## CHAPTER 6. IMPLEMENTING CHANGE— EMBEDDING INNOVATION

As demonstrated in this report, public sector agencies increasingly need to be in the business of innovation to keep pace with the demands and challenges they face. However, unlike in many large private sector organisations, innovation is not generally embedded into the strategy, planning and culture of public sector agencies. In addition, there are specific barriers and disincentives to innovation in the public sector, as set out in Chapter 4.

This chapter seeks to identify strategies to address those barriers and ways to embed innovation as a critical element of public sector strategy, planning and operation. While significant innovation already takes place within the public sector, as illustrated by the numerous examples in this report, these efforts tend to be project based rather than systemic. While there are some notable exceptions, overall innovation is not a key focus of public sector priorities and the level of public sector innovation is sub-optimal. Across the APS, we have yet to embrace the more fundamental changes in culture, outlook and processes that could transform public sector agencies into innovative organisations.

In their book *The public innovator’s playbook: nurturing bold ideas in government*, Eggers and Singh (2009) set out the evolution of organisational structures of government agencies as they move to more innovative models of operation (see Figure 6.1).

**Figure 6.1** The evolving organisational structure of government agencies

Traditional innovation model: hierarchical government	Intermediate model: limited partnering to reduce costs	New models of innovation: networked, open source government
<ul style="list-style-type: none"> <li>• Closed boundaries – government’s role is to own and directly provide services</li> <li>• Bricks-and-mortar infrastructure – throw more resources at a problem</li> <li>• Invent it yourself; centralized approach</li> </ul>	<ul style="list-style-type: none"> <li>• Some elements of partnership but government remains the primary owner and provider of services</li> <li>• Improved collaboration across various departments</li> </ul>	<ul style="list-style-type: none"> <li>• Redefine the role of government as an aggregator, manager, and buyer of services</li> <li>• Identify promising ideas from anywhere</li> <li>• Use internal knowledge and skills to adapt ideas to the needs of customers</li> </ul>



Source: Eggers and Singh (2009, p. 114).

Arguably, the APS is largely in the intermediate stage shown in Figure 6.1. Transition to more open models of operation will take time and experimentation as we seek to develop solutions to the problems encountered along the way. However, we will make the journey more rapidly and successfully if we set firm goals and directions and put in place the measures to pursue them. The public sector needs to embrace the need for innovation and focus on the possibilities that innovation presents. We need to make it part of our standard mode of operation, embed it in our strategy and planning, and put in place actions to move our organisations onto a more innovative path.

In developing this report, we examined the relevant literature and the practices of other countries, in addition to consulting a broad range of APS staff and managers. The steering committee also applied its collective experience of many years and facets of the APS. Drawing on those inputs, we set out below a suggested framework for action to embed innovation in the APS.

For innovation to become embedded in the APS, it will mean changes in behaviour, organisational models and bureaucratic processes and culture. Those changes will not be achieved immediately and will require visionary leadership and consistent reinforcement. They will also require action at a number of levels. As well as action at APS-wide level, agencies, teams and individuals can all play an important role in facilitating public sector innovation, as can those external to the public service.

## AGENCY ACTIONS

Individual agencies can do a lot to realise their innovative potential and promote innovation more broadly, irrespective of where they are on the innovation journey. To facilitate agency action, a set of guiding principles for innovation in public sector agencies is set out below.

### Ten guiding principles for building innovation in public sector agencies

- 1. Integrate innovation into an agency's strategy and planning:** what are the agency's key priorities and challenges, what opportunities do they present for innovation, and how can the need for innovation and its attendant risk be communicated internally and externally.
- 2. Foster and attract innovative people:** seek to recruit and nurture people who are motivated to innovate and have relevant skills and capacities.
- 3. Tap into the ideas and experience of stakeholders:** build an organisation capable and desirous of interacting with partners, customers and citizens and draw on their innovative potential.
- 4. Develop organisational capacity to facilitate and manage innovation:** build expertise and experience in managing innovation in a public sector environment and work to identify and address any unnecessary impediments to innovation that may exist.

5. **Provide ‘safe spaces’:** areas and programs where innovation can be channelled, where experimentation is expected and where ‘failures’ are regarded as legitimate. These spaces should be explicitly identified as testing grounds for ideas that can be expected to carry implementation and political risks.
6. **Facilitate networking:** build communities of practice and networks of trust within and without the APS by which to share experiences of innovation, build partnerships and learn from others.
7. **Build a supportive culture:** reward and encourage innovation and give agency staff both the means and the permission to innovate.
8. **Use government’s influence and advantages to spur innovation:** use the government’s procurement power, its role as a regulator and its leverage with other jurisdictions to develop and realise innovative solutions.
9. **Measure and evaluate your results and share what you learn:** monitor the return on your innovation investment and evaluate the outcomes; sharing such learning across the public sector will improve the quality and speed of the innovation process.
10. **Make public information accessible:** public sector information and data is a valuable resource for innovation, both internally and externally to the APS and therefore publicly funded data sets should be publicly available unless there is a good reason for confidentiality.

The guiding principles identify how innovation can be harnessed and promoted by public sector agencies. To reap the benefits of innovation, agencies will need to take positive and proactive steps. They will need to communicate that some problems will not be able to be solved without risk, and work with the government and stakeholders and clients on acceptable ways of tolerating those risks. However, each agency has its own circumstances and pressures and will need to tailor action to its specific culture and context. Much depends on culture, attitudes and behaviours, and changes to those will only take root over time.

Such changes will need clear leadership. Public service leaders, particularly the senior executive service (SES), can have a big impact because their actions set the tone. Leaders can encourage and legitimise innovation and give permission to their staff to work in innovative ways. Once innovative behaviours are established, a new culture is established and perpetuates itself:

*Once people have succeeded at innovation, you can see the energy in the company changing. People routinely say, ‘We can do this. This is feasible.’ The attitude changes are incredible to watch; once people see the simplicity, durability, and sustainability of an innovative mind-set, it continually reinforces itself.*  
(Lafley 2008, pp. 8–9)

For agencies that wish to develop their innovative potential a tool-kit of potential actions and approaches has been developed (see Appendix 4). The toolkit should be considered a companion to the ANAO better practice guide on public sector innovation (ANAO 2009), which provides significant guidance for managing innovation projects.

These actions are not set in stone—we are constantly experimenting and improving how we innovate. Individual agencies will need to gain experience with innovation processes, their strengths and the constraints that they face. Nor will these actions be easy. At times, bureaucratic processes may seem to counteract innovative efforts; however, persistence can lead to success and to satisfaction—see Miller’s (2009) somewhat tongue-in-cheek ‘Paradoxical commandments of government’.

### **The paradoxical commandments of government**

1. The reward for doing good work is more work. Do good work anyway.
2. All the money you save being more efficient will get cut from your budget now and forever. Find efficiencies anyway.
3. All the bold reforms you make will be undone by the next administration. Make bold reforms anyway.
4. There is no time to think about improving what we do. Make time anyway.
5. Employees may fight the change every step of the way. Involve them anyway.
6. The future is unpredictable and largely out of your hands. Plan anyway.
7. The press only cares when something goes wrong. Share your success stories anyway.
8. Legal will never let you do it. Simplify it anyway.
9. If you develop your people they will move on to better jobs. Train them anyway.
10. Your ideas will at best make someone else look good and at worst get you ostracized by your co-workers. Share your ideas anyway.

Source: Miller (2009).

### **TEAM ACTIONS**

*One advantage of creative teams over creative individuals is that teams can bring together the many forms of expertise needed to solve a large problem. (Harvard Business Press 2009, p. 169)*

Teams wishing to become more innovative can start with a range of things, including many of the toolkit actions (which can be applied on a smaller scale and with a narrower focus).

As a starting point, teams can simply have a conversation about innovation—what it means to team members, how it might play a role in their work and what the team can do to facilitate it.

## People

Teams benefit from having a diversity of skills and experience. This is particularly true for teams trying to innovate. Innovation often depends on the ability to see things differently, and diversity in the backgrounds, skills, experiences and perspectives of the team members is likely to boost innovation.

It is important that teams consider their composition, on an ongoing basis, to try to foster that diversity. This consideration is valuable when teams are managing the inevitable staff turnover that happens in any organisation. Such staff movement provides an opportunity to try and bring in complementary skills to the team. It is also important to remember that not all members of existing work teams will be interested in innovation. In the first instance, work with those who are.

### Signs that your group lacks diversity

If you're a manager, you'll know that your group lacks the diversity it needs to be its creative best if you observe one or more of the following:

- Members are reluctant to disagree with each other.
- The group has been working together for more than three years without infusions of new people.
- Members converge on plans and solutions very quickly and with little discussion.
- You suspect the minority opinions are not being heard.
- People regularly defer to a single person.

Source: Harvard Business Press (2009, p. 177).

Another way that teams can source a different skill set is to invite others to join the team for specific innovation efforts. Invitees could be other colleagues, service providers, stakeholders, consumers or others. This may involve having others come to one-off meetings or contribute ideas through an online environment. They may be invited to join in at certain stages of the innovation process, such as the ideas generation phase, the ideas selection phase or the diffusion phase.

## **Ideas**

To get innovation at the forefront of people's minds, it needs to be put on the agenda—the team meeting agenda, the branch planning day agenda, any discussion forums or networking groups, and program reviews and evaluations. This will provide opportunities for ideas generation, and members should be prompted and supported to bring their innovative ideas to such forums for discussion. Including innovation in the forums also sends an explicit message that there is permission to be innovative.

Given permission to do so, teams rarely have trouble coming up with innovative ideas. Sources of innovation can include a change in resourcing, a change in attitude, a response to new evidence, or a new political direction. For this reason, it is useful for teams to consider making time for reflecting on what they have learned from their work and its possible implications.

## **Experimental spaces**

Developing good ideas into practical proposals can require time, effort and several iterations. It is best to do this in an experimental space, in which any negative or unwanted effects can be recognised, contained and dealt with quickly. Real-time learning can occur. Providing an experimental space may mean allowing a person time to experiment with a possible IT solution, encouraging someone to do independent research on a topic, or trialling planned new processes on a small scale within your own team.

## **Selecting good ideas to trial**

Not all ideas for innovation will be good ideas. There are a range of reasons for this—some may be too costly or take too long to implement, others may not be technically feasible, or it might just not be the right time to tackle to problem. When considering which ideas to explore, consider focusing on those for which:

- evidence suggests that the innovation is likely to succeed—i.e. tried successfully elsewhere
- there is a clear plan for how the idea can be developed
- the potential benefits are commensurate with the development costs. (Mulgan and Albury 2003, pp. 16–17).

## **Implementing innovation**

A survey of more than 300 government reformers asked them to identify the most important lessons they had learned in implementing their programs and would recommend to other innovators (Borins 2006). The responses may provide useful practical guidance for innovating teams.

### **Lessons for public sector innovators**

- Make the project exciting for staff
- Promote the programme and ensure positive media coverage
- Make sure that the programme objectives reflect and are in line with the organisation's aims and objectives
- The project manager who is the primary change agent should be task-oriented
- Involve stakeholders as far as possible throughout the innovation stages
- Establish and maintain effective communication with all programme participants
- Secure support from senior management
- Have a clear mission and end goal
- Allow staff the freedom to innovate and tolerate mistakes
- Have a small implementation team who hold the decision-making power
- Think strategically and consider the wider implications of the programme
- Have a champion who feels ownership for the programme
- Be dedicated and persistent as innovation programmes are not easy
- Well managed documentation is tedious but essential
- Develop adequate control mechanisms and support governance structures with agreements
- Solicit regular feedback from programme participants and demonstrate early ongoing success
- Implement quickly to avoid losing focus and momentum
- Learn from mistakes as they occur and do not be afraid to change plans based on new information or in response to a changing environment
- Learn from other innovators
- Ensure that you have the necessary resources

Source: Borins (2006, p. 23).

### **Tracking progress**

A major challenge for a team is how it manages ideas—ideally, they would be recorded and their progress tracked. This is important not only to provide recognition to the person who came up with the idea, and information on where the idea is up to, but also to avoid unnecessary duplication of effort. For a team, this could as simple as a spreadsheet that is accessible to all the team members.

## **Sharing innovations**

Teams can provide a positive example of innovation by promoting ideas and projects they have been involved with and by demonstrating what was achieved. It is also desirable to highlight what did not work, so others can avoid the same pitfalls. Information on what was done and how the innovation and associated lessons could be applied more broadly to the work of the agency should be shared. Innovations could be showcased through meetings, divisional forums, online newsletters, worksite displays or published articles, or promoted through communities of practice. In this way, valuable experience can be made available other areas that face similar problems or challenges.

## **INDIVIDUAL ACTIONS**

This report emphasises the innovative power of collaboration and networking and the need for systemic support, but there are also things that individuals can do to boost innovation in the public sector. Each public sector employee has the potential to innovate. They can start by looking at what they have authority for and pushing innovation in that space. ‘The way to be innovative is to try stuff. Start with whatever small stuff you can get away with, then build from there’ (Kastelle 2009).

When obstacles are encountered, two strategies have been identified as useful— persuasion, by showing the benefits of an innovation, and accommodation of the concerns of the sceptics (Borins 2006, p. 167). Innovators should also remember that innovative ideas commonly have to wait for the right time or circumstances to be considered. Sometimes, regardless of how good an idea is, it will not be possible for it to be considered or introduced due to competing priorities. In such circumstances, an innovator may look to build support for the idea so that, when the opportunity arises, there is a coalition willing to advocate it and help make it a priority.

Individuals can also establish or join networks or communities of practice. They can seek to collaborate with others, either in their own organisations or externally, recognising that a successful innovation will likely require the effort of many. Individuals can become champions for a specific innovation or for innovation in general. They can call for, contribute to and support each of the actions at the agency or team level.

## **EXTERNAL ACTOR ACTIONS—CITIZENS, CLIENTS, PARTNERS AND STAKEHOLDERS**

External actors can also help promote innovation within the public sector. A number of examples around the world have shown, particularly in an era of Web 2.0 tools, that individuals and stakeholders can instigate innovation in the public sector. In some cases, this will be in response to public criticisms or demands or even to competition from outside the public sector, and the adoption of new ideas or practices may be reluctant. In other cases, it will be in response to suggestions or shared experiences that the public sector embraces as a useful improvement.

*In the longer term, active, demanding and empowered users, sometimes in alliance with radical professionals, are likely to be critical in keeping public services agile and imaginative. (Mulgan 2007, p. 19)*

While they may make public servants uncomfortable at times, such ‘demanding users’ and academic and professional critics have a legitimate role to play in drawing attention to new ideas and better ways of doing things. Public servants should seek to separate the frustration they sometimes feel with the way such views are put forward and look objectively at the merits of what is being suggested.

Much of the early development in Government 2.0 was driven from outside—private efforts like TheyWorkForYou.com (tracking British parliamentary activities) and its Australian counterpart, OpenAustralia.org, have been pioneers in this area and have provided means for increased scrutiny of governments’ efforts. In New South Wales, an individual iPhone application developer was influential in getting the state government to ease the restrictions placed on the access to and release of train timetables (Tindal 2009), while Google’s push to obtain bushfire data from the Victorian Government during the February 2009 bushfires highlighted restrictions governing copyright of Crown data in Australia (Braue 2009). This has yet to result in a change of access, but is one of several fronts where a push for increased access to government-held data is being driven by external actors.

User actions are not limited to the digital realm. User-driven innovations were implemented in the National Rental Affordability Scheme to remove some perceived barriers and allow for faster processing and notification of approvals.

## **FRAMEWORK FOR ACTION ACROSS THE APS**

In addition to providing guidance and useful material to promote innovation at the agency, team and individual levels, in line with its terms of reference, this report makes a number of recommendations for action across the APS.

### **Strategy and culture**

Strategic planning is a fundamental underpinning of public sector operations. Innovation needs to be overtly included as part of this strategic effort. Strategy is a key enabler of innovation, as it identifies the issues being faced now and those anticipated in the future. A range of tools can be used to assist strategy development, e.g. the three horizons approach (see Appendix 6), which looks at the issues being faced right now as well as those in the short- and longer term future. Such strategic planning exercises can be a spur to innovation. An agency’s strategy can also provide clarity on where innovation efforts should be focused and highlight where internal and external players can provide input to realise innovative outcomes.

### 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 (see Appendix 6) is an example of how this might be approached.

A substantial proportion of what is new in the APS, including most of the more radical changes, are products of New Policy Proposals developed as part of the annual Budget cycle. New policy proposals tend to be developed in a climate of Budget secrecy, with limited or sub-optimal input from customers and other stakeholders. In some cases, they are also required to be developed in short timeframes that militate against an innovative or even an adequate development process. Overall, new ideas and initiatives in the public sector are generally not developed in a climate of openness and collaboration, and in some cases they suffer from a lack of access to the full range of useful information and evidence.

### 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.

A key disincentive to innovation in the APS, and one unique to the public sector, is political risk. It is the minister whose job is on the line in the case of major failures or shortcomings, and agencies, seeking to protect their ministers, tend to be very risk averse.

It can be challenging to balance the call for bold and innovative ideas in public administration with the need to manage political risk. However, finding ways to achieve that balance will be increasingly important as the need for public sector innovation escalates. Rather than make assumptions about their ministers' views, it would be appropriate for agencies to converse with their ministers to determine their innovation expectations and risk appetite.

Ministers must be apprised of the risks involved in innovative approaches, how those risks might be managed, and also be alerted to the potential benefits.

For significant innovations, the minister needs to decide whether the potential pay-off is sufficiently large or desirable to tolerate the risks. Identifying risks up front, as well as the strategies by which they can be mitigated, should avoid any unwelcome shocks should an innovative project hit turbulence.

A 'stage-gate' system is one way of managing the innovation process and some of the risks and problems. It typically uses between four and seven stages and gates, and each stage is generally more expensive or risky than the one before. Each gate is an opportunity to consider the process (stage) so far, using set criteria, before a decision to go/kill/hold/recycle is made (Cooper 1990). The criteria for assessment will vary from gate to gate. The Rapid Prototyping, Development and Evaluation Program, discussed briefly in Appendix 5, operates on the basis of a stage-gate approach.

### 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

Leadership is a vital ingredient for encouraging innovation, but leading innovation (and innovators) is not always easy—it can be challenging and confronting. By its nature, innovation involves significant change and can require tackling the status quo. If we are to embed a more innovative culture and embrace innovative models of government operation, APS leaders must actively advocate, acknowledge and support innovation within their agencies. The APS needs leadership that listens to participants in decision making, but that nevertheless will take sides and make things happen even against some resistance when that course seems strategically warranted. The APS must also strive to ensure that its leaders are equipped to facilitate innovation and be aware of the potential risks associated with groupthink.

#### **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.

Innovation will not thrive without a supportive culture. The competitive drivers that support innovation in the private sector do not operate in the same way in the public sector, so we need to look at more actively promoting a culture of innovation. Because cultural change can be a long, difficult and uncertain process, adopting innovation as an organisational priority and providing supportive leadership is a good start. However, key steps to cultural change begin with practical actions that reinforce the commitment of the organisation and its leaders. Over and above rhetoric, it is practical actions that will effectively demonstrate that innovation is a core aim of the agency.

#### **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 (set out in Appendix 4 of this report) 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

Significant barriers and inhibitors to innovation in the public sector have been outlined in this report and continue to operate. Indeed, ongoing changes to operations may throw up new barriers. Many are outside of the control of any single agency or of the agency confronting the problem.

Without an integrated approach to addressing such problems, some innovation projects will be frustrated and may fail. We believe that the APS needs a mechanism through which agencies can challenge the barriers that prevent them from developing worthwhile innovations—a mechanism to raise concerns and suggest reforms at the highest level of the APS.

### 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 (these are discussed more in Appendix 7). The Band 3 team proposed under Recommendation 11 could be charged with establishing and reporting on the effectiveness of such a mechanism.

One issue consistently raised by agencies seeking to develop new ideas or approaches is that of how their funding is structured or administered to facilitate innovation. In many cases it can be difficult to attract new funding for risky or experimental projects, and resources must be found internally to support innovative efforts. Innovative projects that promise efficiencies can have presumed savings taken up front, when in practice the level of savings may be uncertain and likely to take a number of years to be realised. Deduction of all savings achieved through agency innovation punishes, rather than rewards, innovative efforts.

In addition, funding for new or experimental projects falls into the non-essential category and is at high risk in a climate in which any new spending must be offset by savings. Similarly, funding for pilots or experimental programs may be withdrawn at the end of the test period regardless of the success of the pilot. In general, many funding decisions are blunt and made without regard to innovation impacts and often without detailed information on the initiative being defunded.

While fiscal discipline is necessary, particularly in a climate in which we are seeking to rectify a position of Budget deficit, having no regard to the impact of funding decisions on innovative efforts may be a false economy. It is clear that in some cases the system of funding acts as a disincentive to innovative efforts, and this warrants further examination.

#### **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).

Collaboration is essential for the effective development and implementation of innovative proposals and projects, particularly the increasing number that cross agency lines. Many of the challenges facing the public sector are large and broad-ranging and need a multidisciplinary approach. They require involvement and input from a range of agencies and outside parties, including the non-government sector and academia. Yet there is no standing arrangement, no common space or program under which agencies can jointly collaborate and experiment including with relevant stakeholders, on development of innovative responses to major challenges. Such arrangements would establish innovation as a regular feature of public policymaking.

#### **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**

The innovation process is changing as new technologies emerge, opening new possibilities for innovative solutions and changing the level and nature of government interaction with stakeholders. New tools and platforms open up new capabilities and possibilities, and the public sector needs to be alert to technological developments and their potential uses. The case for a more systemic approach to scanning and evaluating relevant technological developments may be worth considering.

Technological developments have led to increased expectations by those receiving services from government, but they also enable agencies to better respond to increased information, interaction and demands.

#### **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.

By using its influence and particularly the power of procurement, government can not only boost its own innovative capabilities but also promote innovation more broadly. Government purchases most of its technology requirements from the private sector, although in many cases this involves working closely with private sector developers to create the tools and systems that are required. The method and quality of these procurements can be structured to maximise innovative outcomes.

#### **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.<sup>5</sup>
- using a stage-gating approach to invite and filter proposals for larger procurement processes (Recommendation 3) and so maximise opportunities to develop innovative ideas.

---

<sup>5</sup> Subject to, and compliant with, normal public sector agency audit and reporting requirements.

A range of drivers of innovation might benefit from a more integrated approach and better interaction and communication across the APS. There is still a great deal to learn about how innovation works in the public sector, and that learning will need to be guided by the practical experience of agencies. The speed of learning will be greater if there is a more integrated approach to innovation across the APS. A body that can share its insights and lessons and highlight and seek to address barriers would provide significant support to agencies working through the innovation process. A champion or driver will also be needed to push forward a number of the recommendations made in this report.

#### **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**

The APS does not have a good record of documenting, analysing and sharing its innovation successes and failures. This means that diffusion to other areas is not occurring and that lessons often have to be learned repeatedly. A coordinated approach to capturing lessons and ensuring that they are diffused would boost innovation in the APS.

It is also important to recognise and reward innovation in the APS and to celebrate innovation successes.

## 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).

## APPENDIX 1: TERMS OF REFERENCE

---

1. The project will consider action required to strengthen an innovation culture in the provision of government services. It will explore how innovation can be further facilitated on an ongoing basis and the need for possible reforms. It will examine how the public sector can:
  - a) Encourage innovative practices from the '*bottom up*', capitalising on opportunities to innovate through service delivery
  - b) Strengthen APS *workforce capabilities and leadership* capacity to support innovation in all aspects of government administration
  - c) Draw on *external expertise* and ideas from citizens and stakeholders
  - d) Use innovative technologies and processes, including to achieve cross-jurisdictional and intra-Government collaboration and coordination
  - e) Use the innovative potential of mechanisms such as pilots, experiments, randomised policy trials, prizes and ideas forums in delivering solutions
  - f) Promote dissemination of innovative practices throughout the sector.
2. The project will advise on:
  - a) options for innovation uptake in the public sector environment, including through:
    - policy development
    - program development
    - service delivery and
    - the linkages between all three spheres
  - b) how to create an innovation culture that leverages the role of government as a demanding customer, and effectively manages risk
  - c) identification of existing barriers to innovation, including any arising from the current APS governance framework and workforce capabilities, and options to address them, e.g. through the use of such instruments as mechanisms of challenge
  - d) processes and networks to share and reward innovative practices, highlighting best practice from all sectors, and through fostering stronger partnerships
  - e) how to leverage off broader reforms in the government sector, such as the Gershon implementation and promotion of social inclusion.

3. The project team will report to the Executive Sub-Committee of MAC and recommend reforms that are feasible, appropriate and in the public interest. It will also develop a strategy for implementation of reforms by agencies.
4. Consultation will be conducted with agencies, State and Territory governments, and leading experts on innovation and governance throughout the course of this project and may include non-traditional forms of consultation and promotion of ideas to ensure a comprehensive understanding of the issues impacting on public sector innovation – from both within and without the public sector.

## APPENDIX 2: PROJECT PROCESS

---

### METHODOLOGY

The project commenced in June 2009, following endorsement of the terms of reference by the MAC. A steering committee and project team (listed below) were established in June 2009.

Consultations took place between August and October 2009 with academics, innovation practitioners, public servants and other interested stakeholders.

Focus groups with APS staff, community organisations and APS senior executives provided analysis of critical issues and enabled some validation of draft findings from the literature and consultations:

- Four facilitated focus groups for public servants were held in Canberra and Melbourne in August 2009, involving a total of 46 participants up to the EL2 level. A further 4 public servants took part in a videoconference focus group held with the assistance of the Australian Taxation Office. An APS senior executive focus group of 12 was held in Canberra in October 2009.
- Centrelink's Planning and Change Consulting team conducted two focus groups with representatives from community organisations in August 2009. The Melbourne focus group involved 10 participants from a general spread of community organisations, and the Canberra focus group involved 14 participants from peak bodies or similar groups.

A discussion paper, *Advancing Public Sector Innovation*, was released in August 2009 to promote discussion of the project and to facilitate public submissions to the project. The paper is available from the project's website<sup>6</sup>.

The discussion paper posed a series of key questions about the public sector. Respondents were able to use the SmartForm on the project website or respond via email or post. 78 submissions were received, including 45 from individual public servants.

The website provided an up-to-date view of progress throughout the project, advertised upcoming focus groups, and provided a link repository to relevant literature on innovation in the public sector.

A Twitter account was set up at @PSInnovate. At 20 January 2010, it had tweeted 62 times and had more than 250 followers.

The report was finalised and forwarded to the MAC in January 2010.

---

<sup>6</sup> <http://www.innovation.gov.au/PSI>

## **STEERING COMMITTEE AND PROJECT TEAM**

### **Steering committee**

- Ms Patricia Kelly (Chair), Department of Innovation, Industry, Science and Research
- Mr Tony Gargan, Centrelink
- Ms Rebecca Irwin, Department of Immigration and Citizenship
- Ms Jan Mason, Department of Finance and Deregulation
- Ms Roseanne McCann, Australian Taxation Office
- Ms Carmel McGregor/Mr John Cairns, Australian Public Service Commission
- Dr James Moody, Commonwealth Scientific and Industrial Research Organisation
- Mrs Samantha Palmer, Department of Health and Ageing
- Professor John Wanna, Australian National University
- Dr Nicholas Gruen (Consultant), Chair of the Government 2.0 Taskforce

### **Project team**

- Ms Tricia Berman, Department of Innovation, Industry, Science and Research
- Ms Jo Cross, Department of Health and Ageing
- Mr Rod Limerick, Department of Finance and Deregulation
- Mr Alex Roberts, Department of Innovation, Industry, Science and Research
- Mr Alistair Taylor, Department of Innovation, Industry, Science and Research
- Mr Paul Thomas, Centrelink
- Mr Marcus Wearne, Australian Taxation Office

## **PARTICIPANTS—CONSULTATIONS, FOCUS GROUPS AND SUBMISSIONS**

### **Consultations**

#### **Academics**

- Dr Damon Alexander, Lecturer and Tutor, Department of Political Science, University of Melbourne
- Professor Viktor Bekkers, Professor of Public Administration and Academic Director of the Center of Public Innovation, Erasmus University, the Netherlands
- Professor Kerry Brown, Professor in the School of Management, Faculty of Business, Queensland University of Technology
- Dr Peter Cebon, Senior Lecturer—Organisations and Innovation, Melbourne Business School, University of Melbourne
- Professor Mark Considine, Dean of the Faculty of Arts, University of Melbourne

- Professor Mark Dodgson, Professor and Director, Technology and Innovation Management Centre, University of Queensland
- Professor Joshua Gans, Professor of Management – Information Economics, Melbourne Business School, University of Melbourne
- Professor Brian Head, Professorial Research Fellow, Institute for Social Science Research, University of Queensland
- Professor Greg Hearn, Professor, Creative Industries Faculty, Queensland University of Technology
- Dr Tim Kastle, Lecturer, Innovation Management, UQ Business School, University of Queensland
- Per Koch, Director, Research Council of Norway, Norway
- Professor Andrew Leigh, Professor, Economics Program, Research School of Social Sciences, Australian National University
- Professor Jenny Lewis, Associate Professor in Public Policy, Social and Political Science School, University of Melbourne
- Dr Mark Matthews, Director Policy and Engagement, Centre for Policy Innovation, Australian National University
- Jeremy Nolan, PhD candidate, School of Accounting and Business Information Systems, Australian National University
- Professor Stephen P Osborne, Chair of International Public Management, University of Edinburgh Business School, United Kingdom
- Dr Jason Potts, Senior Lecturer, School of Economics, University of Queensland
- Dr John Steen, Senior Lecturer in Strategy, UQ Business School, University of Queensland
- Professor Jonathan West, Australian Innovation Research Centre
- Chris Witt, Director of the Centre for Innovation and Entrepreneurship, Australian Business School, University of New South Wales

#### **Consultants**

- Mark Bennett, Learning Collaboration
- Stephen Collins, Acid Labs
- Roger La Salle, Matrix Thinking
- Susan Mackie, Chief Executive, De Bono Institute
- Gérald Marion, Director Strategy and Operations Consulting, Deloitte
- Kate Morrison, Vulture Street Innovation Software and Services
- Andrew Simon, Deputy CEO, Yellow Edge
- Gerhard Vorster, National Innovation Leader, Deloitte

## Government

- Richard van Aalst, Manager, Business and Industry Branch, Chief Minister's Department, Australian Capital Territory
- Monica Barone, CEO, City of Sydney, New South Wales
- Christian Bason, Innovation Manager, MindLab, Denmark
- Ian Bell, Acting CEO, Knox City Council, Victoria
- John Burton, Manager, Corporate Improvement and Innovation, Brisbane City Council, Queensland
- Pauline Camm, Principal Consultant, Public Sector Management Office, Department of Premier and Cabinet, Tasmania
- Frank Connelly, Victorian Public Sector Continuous Improvement Network
- Ian Cox, Director, Business and Industry Branch, Chief Minister's Department, Australian Capital Territory
- Jill Cuthbert, Information Officer, Mosman Council, New South Wales
- Michael Dickson, Acting General Manager, Policy Science, Innovation and Business Division, Department of Commerce, Western Australia
- Derek van Dyk, Director, Innovation and Economic Analysis, Department of State and Regional Development, New South Wales
- Mishka Foster, Brisbane City Council, Queensland
- Geoff Grossel, Department of Agriculture, Fisheries and Forestry
- Jonathon Happold, Department of Agriculture, Fisheries and Forestry
- Desley Hargreaves, National Manager, Centrelink
- Kate Hay, National Manager, Centrelink
- Maria Katsonis, Principal Adviser, Public Administration, Department of Premier and Cabinet, Victoria
- Brian Marsden, Canadian Government
- David Mayes, Manager, Strategic Planning and Sustainability, City of Melbourne, Victoria
- Ian McKenzie, Stakeholder Liaison Manager, Rapid Prototyping, Development and Evaluation Program
- Elaine Ninham, National Manager, Centrelink
- Lyn Robertson, Director, Public Service Futures, Queensland Public Service Commission, Queensland
- Ken Simpson, Commissioner for Public Employment, Office of the Commissioner for Public Employment, Northern Territory
- Brant Smith, Department of Agriculture, Fisheries and Forestry
- Randall Straw, Deputy Secretary Innovation and Technology, Department of Innovation, Industry and Regional Development, Victoria

- Laurel Sutton, Victorian Public Sector Continuous Improvement Network
- David Waung, Executive Director and CEO, Commonwealth Association for Public Administration and Management
- Bob Webb, Australian Taxation Office
- Kelly Weekly, Executive Director Organisational Performance, Queensland Public Service Commission, Queensland
- Glen Weir, Director, Innovation Development, Department of Primary Industries and Resources, South Australia
- David Welch, General Manager, Rapid Prototyping, Development and Evaluation Program
- Claire West, Department for Business Innovation and Skills, United Kingdom
- Lance Worrall, Chief Executive, Public Sector Performance Commission, South Australia

#### Unions

- Kristin van Barneveld, Policy and Research Director, Commonwealth Public Sector Union
- Michael White, Branch Secretary, Media, Entertainment and Arts Alliance

#### Other

- Fraser Power, Innovation Project Manager, Corporate Sustainability and Innovation, Ergon Energy
- Peter Wilson, Manager Project Deployment, Ergon Energy
- David Brown, Head of Innovation, National Australia Bank
- Michael Harris, Director, Public and Social Innovation, National Endowment for Science, Technology and the Arts, United Kingdom

**Community organisation focus groups (attendees)**

- Don Arthur, Catholic Social Services of Australia
- Ken Baker, National Disability Services
- Ross Barnett, Ethnic Community Councils of Victoria
- Margaret Burdeu, Queen Victoria Hospital
- Carmen Calleya-Capp, Brotherhood of St Lawrence
- Darlene Cox, Health Care Consumers' Association
- Glenn Cullen, Menslink
- Roslyn Dundas, ACTCOSS
- Dianne Embrey, Volunteering Australia
- Mouna Fouda, Victorian Arabic Social Services
- Dan Gleeson, The Centre for Excellence in Child and Family Welfare
- Janenne Hamilton, Relationships Australia
- Luke Jones, Home Help Service ACT
- Annelies Kamp, Mission Australia
- Anne Learmonth, Association of Neighbourhood Housing and Learning Centres
- Dean Lombard, Victorian Council of Social Services
- Janet Lukes, Salvation Army
- Carol Mead, Directions ACT
- Eamonn O'Toole, Red Cross Victoria
- Leonie Poynter, Australian Institute of Welfare and Community Workers
- Mary Reid, Carers Australia
- Sue Tregeagle, Barnardos
- Richard Vines, Child Protection Authority
- Renee Williamson, Vision Australia

**Public servant focus groups**

- A series of focus groups were also held for public servants from Australian Government agencies.

## **Submissions**

### **Government**

- Australian Bureau of Statistics
- Australian Customs and Border Protection Service
- CSIRO
- Department of Broadband, Communications and the Digital Economy
- Department of Families, Housing, Community Services and Indigenous Affairs
- Department of Health and Ageing (SA State Office)
- Department of Immigration and Citizenship
- Ergon Energy
- Government of Western Australian
- NICTA
- Queensland Government
- Rapid Prototyping, Development and Evaluation (RPDE) Program

### **Non-government**

- Association of Consulting Engineers Australia
- Australian Institute for Commercialisation
- BMF Advertising
- Community and Public Sector Union
- Connecting Up Australia
- EDS
- InnovationXchange
- Institute of Government Business Analysis and Process Reengineering
- KPMG
- Lockstep Technologies
- RECERT.net

### **Individuals**

- Submissions were also received from a number of individuals including public servants.

## **SPECIAL ASSISTANCE**

The project team would like to give a special thank-you to the following people who helped review drafts of the report:

- Professor Sandford Borins, Professor of Strategic Management, Joseph L Rotman School of Management and University of Toronto, Canada
- Dr Tim Kastle, Lecturer in Innovation Management, UQ Business School, University of Queensland
- Dr Mark Matthews, Director Policy and Engagement, Centre for Policy Innovation, Australian National University
- Dr John Steen, Senior Lecturer in Strategy, UQ Business School, University of Queensland.

## APPENDIX 3: INNOVATION: DEFINITION, PROCESS AND CHARACTERISTICS

---

### DEFINITION

#### What is public sector innovation?

Answering the ‘what’ of innovation is not a straightforward task – there is very broad-ranging discussion of its meaning in the literature and by practitioners. A starting point is to look at some of the definitions used by the Australian Government in talking about innovation.

#### Examples of Australian Government definitions of innovation

A product, process or service is **innovative** if it either offers a benefit to users that does not yet exist and/or relies on a method of production, method of transformation of inputs or method of performance that does not yet exist (AusIndustry 2009, p. 13).

An innovation is the introduction of a new or significantly improved good or service; operational process; organisational/managerial process; or marketing method. The four types of innovation can be defined as:

- **Goods or services**—Any good or service or combination of these which is new to a business (or significantly improved). Its characteristics or intended uses differ significantly from those previously produced/offered.
- **Operational processes**—New or significantly improved methods of producing or delivering goods or services of a business (including significant change in techniques, equipment and/or software).
- **Organisational/managerial processes**—New or significantly improved strategies, structures or routines of a business which aim to improve performance.
- **Marketing methods**—New or significantly improved design, packaging or sales methods aimed to increase the appeal of goods or services of a business or to enter new markets. (ABS 2009c)

**Social innovation** refers to new strategies, concepts, ideas and organisations that meet social needs of all kinds—from working conditions and education to community development and health (Productivity Commission 2009, p. 9.4).

These definitions rightly highlight novelty and its importance in the innovation process, but they are not explicit about other characteristics that are pertinent to a discussion of public sector innovation. Therefore, this report favours the following aggregate definition that has been offered for the public sector context. The definition says that innovation, at its core, has four features:

- It is new to the system.
- It is related to (and sometimes but not always discrete from) invention
- It is both an outcome ('that was an innovation') and a process.
- It must involve change or discontinuity. (Osborne and Brown 2005, pp. 116–120).

This definition allows that innovations are not automatically good (innovation occurs in everything from terrorism to torture, or an innovation may have terrible unintended consequences now or in the future) or wanted (public agencies as well as governments have faced consequences for being overly innovative) or appropriate (sometimes simple improvements will be more fitting than a change that will cause disruption).

The definition permits that innovations are not necessarily successful, and need not be (a failed innovation can lead to improvements to a system even though it may have failed in its stated intent). It also recognises that an innovation is not simply a new thing but a new change to the environment or sector. As reinforced in consultations, an innovation in the public sector can be government ceasing an activity – whether it be a no longer needed service or other form of intervention – which is a change to the system rather than the introduction of a new service or product. And the definition allows that innovation is a social process (with many possible originators and players) and, by implication, is something that can be managed without relying on serendipity or creative genius.

One definitional issue that has arisen in the development of this report is the question of how significant a change has to be before it is an innovation – can it be a simple process improvement or does it, as the authors of this definition claim, consist of being a 'paradigmatic shift'? This abstract question is important because, if innovation is a paradigmatic shift, then it will require a change in settings or practice to allow it to occur – it will be very unlikely that it could occur under the existing settings or framework. Consistent with the definitions used by the public sector more widely, this report advocates innovation being a considerable change – either new or significantly different. It is important to emphasise that this does not go to the 'size' of the change – small changes can sometimes be highly disruptive – but to how significantly different or new it is.

The consequence of this is that innovation, as a rule, cannot simply be managed in the same ways that business or process improvements can. It requires different approaches to incremental minor changes that can occur within the existing settings and that will not be significantly disruptive. Processes for continuous improvement will not generally be sufficient for the task of enabling innovation.

Conversely, however, this report proposes that processes for facilitating and managing innovation will also allow for the management of incremental minor changes or business improvements.

This conception of innovation is broad and includes developments ranging from a significantly improved service to a shake-up of how government is conducted, and allows for ideas borrowed from somewhere along with those that are radical creations.

A specific innovation could span more than one category, but may nonetheless be judged a useful framework within which to think about innovations in the public sector.

## THE INNOVATION PROCESS

One theme that reveals itself in looking at innovation is that the innovation process will differ according to the type of innovation being undertaken. For example, participants in consultations suggested that different considerations will apply to the first three types of innovation in Windrum's taxonomy referred to in Chapter 1 (see 'Innovation in the public sector'), as opposed to the second three. A conceptual innovation will probably require processes different from those needed for a significant improvement to an existing service.

This accords with a project perspective in looking at innovation—how a project proceeds will depend on the nature of the task being looked at. But what perspective is best for understanding the innovation process more broadly and across an agency or the public sector as a whole? If the question is how to encourage innovation on an ongoing basis and to strengthen an innovation culture, it is important to understand the innovation process at a wider level. If the aim is to increase the level of innovation, it is useful to break the process down into discrete elements.

*Innovation can be thought of as having a cycle with four phases: idea generation and discovery, idea selection, idea implementation, and idea diffusion. It is in the last three phases that innovation often gets derailed in the public sector. (Eggers and Singh 2009, pp. 6–7)*

This report favours a conceptual framework for the innovation cycle that sees it 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.

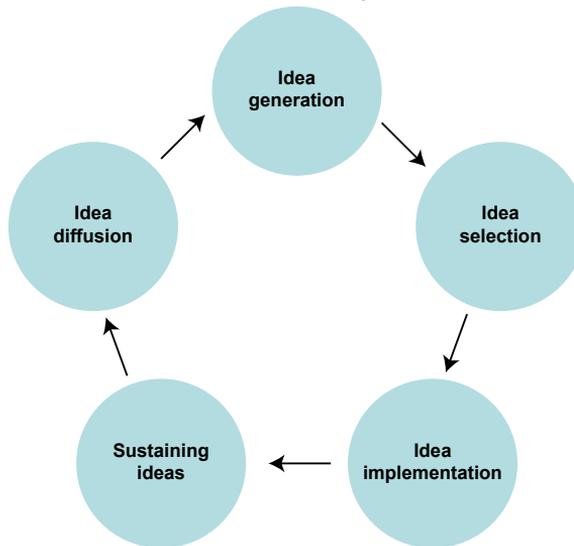
It is important to note that the process is very much a cycle, and for specific innovations some of the phases may not apply or may be conflated. For instance, for some innovations the idea generation and idea selection phases will be performed externally to the public service (for example, through the political process).

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 (Osborne 2009). In the absence of the 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

Figure A3.1 A five-phased innovation cycle



Source: Adapted from Eggers and Singh (2009, p. 7).

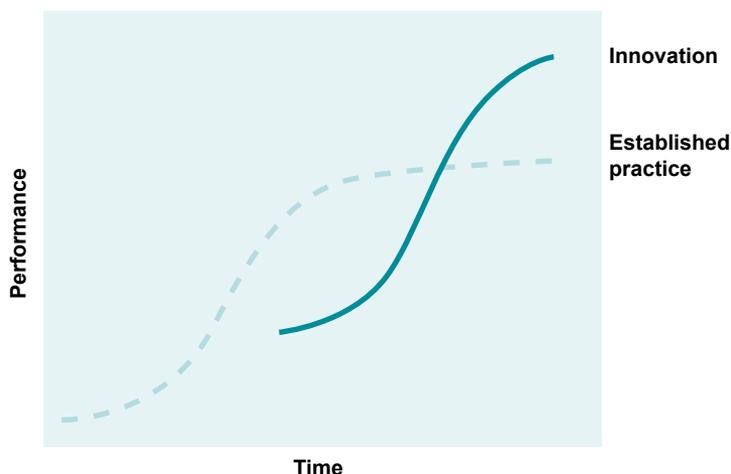
## CHARACTERISTICS OF INNOVATION

This report, through its review of the relevant literature and through discussions with practitioners, has identified a number of characteristics of innovation that it is useful to highlight. These characteristics inform the report and are discussed briefly in this section.

### Sub-optimal

As a starting point, there can be a problem with innovations that are sub-optimal. Because an innovation is new, there will often be a period during which it is, or is regarded as being, inferior to existing solutions. Innovations take time to perfect and cannot be expected to immediately be better than current practice. This is highlighted in Figure A3.2, which shows what is known as the ‘S’ curve. Commonly, in the innovation process, an innovation will initially be worse than the existing solution. Only with time and investment can the innovation outperform current arrangements.

Figure A3.2 The S Curve



### Experimentation

Innovation also involves experimentation, which is how a great deal of innovation happens in science, in the private sector and industry, and in the third sector (social innovation). Experiments can help guide and inform decisions about which innovations should be more broadly applied and which should be stopped. Inherent in a specific proposal being experimental and new to the system is it will more often than not be unsuccessful, or will encounter setbacks due to unforeseen and often unpredictable factors or because of changes in the innovation setting.

### Risk and disruption

Given that innovation is experimental and prone to failure or setbacks, it is a risky activity. The risks may be to resources, to credibility, to the service or policy being innovated or even to those the innovation is meant to be assisting. One of the most significant risks is related to the likelihood that innovation will be disruptive. Change can bring disruption to staff in the agencies conducting the innovation, to citizens and service recipients, to stakeholders, or to firms (an innovation may change the marketplace). The extent of the disruption will vary greatly between innovations and also depends on how they are rolled out.

### Variance and engagement

In developing or rolling out an innovation, different approaches and skills may be needed at different stages of the innovation life-cycle. No single approach will work to encourage all innovations at all stages. A corollary is that the involvement of individual people, teams and agencies will vary as people move in and out of the process—innovation can take a long time, and many people or areas may be participants for only some of it.

## **Connections and collaboration**

Innovation requires connections and collaboration. Collaboration is very important at all stages of the innovation cycle. It will improve the idea; help to inform decisions about which ideas should be picked, how the innovation is implemented, and whether it is accepted and thus lasting; and influence whether the idea is more widely and effectively applied.

## **Hierarchy**

Because of the need for collaboration, innovation is anti-hierarchical. Innovations can come from a whole range of actors and situations that ignore traditional discrete assigned roles. Opening an innovation system up to new ideas raises the chances that innovations will come from a lower level within an organisation or from external sources, oblivious to hierarchy or who 'owns' an area.

## **Ambiguity**

Innovations also pose difficulty for traditional reporting frameworks. By their nature, innovations can suffer from ambiguity of purpose, of jurisdiction and of performance. They can be difficult to assess or measure because they are different from what came before and may not fit within existing ways of assessing results or success.

## **Context**

Perhaps the key characteristic of innovation relates to context. The innovation process will vary depending on the context in which it takes place, including the culture and purpose of the organisation leading it and the capabilities that agency can access. Innovation can occur anywhere, but how it occurs will be greatly affected by where and when it occurs.

*The nature of public sector innovation and the specific innovation pathways adopted are heavily influenced by the individual attributes, motivations and actions of key actors, by the institutional and organizational realities they face, by the social ties they establish, both within and outside of the organization, and not least by a broad array of external catalysts and constraints. (Considine et al. 2009, p. 35)*

## **Appropriateness**

Finally, innovation will not always be the appropriate response. Sometimes a more subtle adjustment may be a better fit for the situation, whereas innovation may result in unnecessary disruption to existing capabilities and competencies. Not all problems need an innovative solution, and no organisation can continually sustain innovation across all that it does, all of the time.

# The Toolkit

## APPENDIX 4: THE PUBLIC SECTOR INNOVATION TOOLKIT AND CHOOSING THE RIGHT TOOLS

The Innovation Toolkit has been developed to assist agencies that want to increase the extent and effectiveness of their innovation efforts. The toolkit has been built from extensive research and consultations and will provide any agency with a significant set of tools with which to foster innovation.

As in any other toolkit, the most appropriate tool for the situation will depend on what needs to be done. Different agencies have different contexts. Which tools should be used first will depend on what agencies want to improve first. Some agencies will already be using some of the available tools, and others may find certain tools unsuitable for their particular circumstances.

### DIAGNOSTIC – IDENTIFYING WHICH AREAS NEED ATTENTION

Given agencies’ varying circumstances, a diagnostic tool has been developed so that they can assess where they should prioritise their efforts. An agency can ask a number of staff across the organisation to complete the assessment questions set out in Figure A4.1. The phases of the innovation system that get the highest score are the areas that will need most attention first. An agency may wish to supplement these questions with its own or use a commercial innovation audit tool in addition to this tool.

**Figure A4.1 Identifying areas that need attention**

	Agree	Partially agree	Do not agree	Phase
Our organisation makes it easy for people to put new ideas up the line.	1	2	3	Generation
My job allows me to come up with new ideas.	1	2	3	
I am encouraged to look for and listen to ideas outside my team (including outside the organisation).	1	2	3	
I know how innovation fits within my organisation’s strategy and vision.	1	2	3	
I know who can help me develop an idea and take it forward.	1	2	3	

	Agree	Partially agree	Do not agree	Phase
Our organisation communicates clearly why some ideas are implemented and others are not.	1	2	3	Selection
I receive timely and constructive feedback on my ideas.	1	2	3	
We consider the views of stakeholders and citizens in choosing ideas for further investigation.	1	2	3	
Our processes for getting new ideas approved are supportive.	1	2	3	
We are not averse to risk when considering new ideas that we could invest in.	1	2	3	
My organisation is prepared to pilot and trial new ideas.	1	2	3	Implementation
I get the help I need to manage new projects or ideas.	1	2	3	
My organisation is good at developing and managing risky innovative ideas.	1	2	3	
We collaborate with others in implementing new ideas and projects.	1	2	3	
We clearly communicate the potential risks and benefits of innovative projects.	1	2	3	
My organisation regularly embeds good ideas into its core business.	1	2	3	Sustaining
I receive the training needed to incorporate innovations into my job.	1	2	3	
My organisation does not dismiss people and factors that threaten our innovative ideas, but openly engages with them.	1	2	3	
We have a culture of evaluation.	1	2	3	
We celebrate our successes in innovation and learn from everything we do.	1	2	3	
We recognise people for their good ideas.	1	2	3	Diffusion
We share our ideas and encourage their reuse.	1	2	3	
I am supported in sharing lessons from unsuccessful innovations.	1	2	3	
Innovations from our organisation are often adopted by other organisations.	1	2	3	
My organisation encourages staff mobility to help spread knowledge.	1	2	3	

## INNOVATION PHASES AND THE TOOLS TO SUPPORT THEM

After identifying which phase the organisation is weakest at, an agency can use the framework in Figure A4.2 to consider what its first actions to address any weak spots might be. Potential actions are considered in detail in the remainder of this appendix.

**Figure A4.2** Innovation phases and the tools to support them

	Generation	Selection	Implementation	Sustaining	Diffusion
Strategy	•	•	•	•	•
Environmental scanning	•	•	•	•	•
Innovation roles	•	•	•	•	•
People and training	•	•	•	•	•
Resources		•	•	•	•
Innovation teams		•	•	•	•
Innovation values	•	•			
Competitions and prizes	•	•			
Innovation markets	•	•			
Calling for ideas	•	•			
Ideas management systems	•	•			•
Innovation jams	•	•			
Innovation tournaments	•	•			
Mechanisms of challenge		•	•		
Engagement and collaboration	•	•	•	•	
Experimental spaces	•	•			•
Procurement and outsourced services	•	•			
Idea selection		•			
Emphasising uncertainty		•	•		
Stage-gate systems		•	•		
Pilots and trials		•	•		
Early wins				•	
Sustaining innovations				•	
Measuring and reporting				•	•
Evaluation				•	•
Promotion				•	•
Awards					•

## Strategy

- Agencies should actively consider how innovation fits within their strategic and business planning processes. Innovation leadership will be greatly assisted by explicitly identifying how innovation fits with the agency's strategic decision-making processes. Without that, innovation efforts will be greatly hampered. This undertaking should be able to answer the question, 'What are our strategic needs that inform our innovation priorities?'
- Agencies may like to consider their future innovation needs using a Three Horizons approach:
  - *Horizon 1*—What is core business for the agency? What is needed now to conduct it and what areas could be made easier or even reduced or stopped with additional improvements and innovation?
  - *Horizon 2*—What are emerging areas of work for the agency? What solutions look promising in this context and could be developed further to meet the agency's upcoming needs? What investment and capabilities will be needed to address these areas? What are the innovation priorities associated with them?
  - *Horizon 3*—What might the big issues in the longer term future be for the agency? What will be their impact on the agency's responsibilities? What can be done to prepare for or reduce the uncertainty of those upcoming future issues?
- This approach will need to be tailored to each agency's context.
- It could be supplemented with scenario planning activity, particularly for major initiatives, to identify what the issues of the future might be, possible responses and the capabilities that would be needed to address those scenarios. This activity could be done in collaboration with other agencies or even with external stakeholders to gain broader perspectives.
- These processes will also assist in ensuring that there is clarity about the extent of executive and political support for innovation—where it is expected, where it is accepted and where, if anywhere, innovation may be a step too far. There may be areas in which innovation will be less appropriate or palatable, and it will be important to be explicit if such areas exist. This is not intended to limit the innovation activity or ideas generation in the organisation, but to focus it in a direction consistent with the agency's direction.
- Of course, a caveat to these approaches is that there will always be circumstances in the public sector in which innovation cannot be planned for or where it is serendipitous. Changes of policy or government or crisis situations can require new and innovative approaches, often at short notice. However, it should be remembered that agencies plan nonetheless, and innovation should be treated in the same vein.

## Environmental scanning

- An ongoing scan of the agency environment to see what ideas are being trialled and implemented elsewhere and the gaps that exist.
- What are other agencies facing similar problems doing?
- Before developing a proposal for a specific issue the question could be asked, ‘What have two other jurisdictions done to address the problem being looked at?’

## Innovation roles

- Agencies should consider whether they have people who fulfil the range of innovation roles that can usefully be played within an organisation, project or program – sponsors, champions, coaches etc. As a starting point agencies can ask themselves ‘What assistance will those with ideas need? Who can give it to them?’ If there is a weakness, the agency can encourage individuals to nominate or self-identify for such roles. Self-identification will be important, as people need to be willing participants in the role if they are to do it effectively.
- Table A4.1 identifies possible roles that some agencies may wish to make explicit. An individual may fulfil a number of these roles at once – they are by no means mutually exclusive.

**Table A4.1 Innovation roles and responsibilities**

Role	Responsibility
<b>Idea sources</b>	The person or people with the idea. The source’s appreciation of the innovation process may be significant or it may be non-existent, as may be their understanding of other interacting processes, such as business planning and corporate requirements. The source may or may not want to take the idea forward themselves.
<b>Idea coaches</b>	People distributed throughout the agency who support sources as they try to get the idea adopted or implemented by the agency. The coaches are better versed in corporate processes than the source and help the source understand what needs to be done to progress the idea towards acceptance. Coaches may also help to put the source into contact with possible champions and help find a sponsor.
<b>Champions</b>	People who are known to be supportive of innovation, who have the time and resources available to take up the cause of the idea, and who can negotiate the hurdles being faced by the idea.
<b>Sponsors</b>	Someone who has the requisite level of authority and resources for the idea to be investigated and possibly trialled. In the APS, this is most likely to be a member of the SES.

Role	Responsibility
<b>Agent provocateur</b>	Someone who can identify and highlight policies and decisions in the agency that hinder innovation and lead an effort to get those blockages recognised, and then removed or addressed as appropriate. Such a role will need to be mandated to be effective. The provocateur is ideally a 'velvet sledgehammer' – excellent at managing people and making persuasive arguments, but not afraid to enforce actions when necessary.
<b>Innovation team</b>	The agency's team of innovation facilitators, who might be responsible for tasks such as providing advice and assistance to sources, coaches and champions, administering any system for managing ideas, advising the provocateur or agency executive on challenges raised and options available, supporting local innovation communities of practice, reporting on innovation activity, and networking with such teams in other agencies. Team members may or may not have additional roles within the organisation.

### People and training

- Using innovation as an explicit criterion in recruitment, particularly of SES and EL2s, both rewards innovative people and makes a strong statement about the importance of innovation to the agency. It can help build the innovation appetite of the organisation and its innovation capability. It sends a signal to those wishing to be promoted to senior positions that innovation is expected and wanted.
- Another important strategy is to ensure that diversity, which is important in the innovation process, is considered in recruitment strategies.
- Making available training in innovation and creativity can also be useful, while recognising that there are limitations to what this can achieve. Training in understanding the innovation process and how to encourage and harness innovation and creativity could be useful for some staff at the beginning of an innovation process in order to build momentum.
- Secondments and supported study are other useful ways to develop staff in a way that will build links and networks, help diffuse ideas and enhance innovation capability. Other forms of short-term collaboration with other agencies, such as cross-agency projects, may also be useful in this regard.
- A useful measure is to factor innovation into induction programs for staff, including an overview of the innovation process and support within the agency. This can emphasise what roles staff can play in the agency's innovation system.

### Resources

- As part of an organisation's planning process, agencies can identify what, if any, resources they have available to support innovative activity. Much of this planning will be done on a project-by-project basis and will need to consider not only financial resources but also human resources.

- For some ideas, due to their scale or implications, it may be necessary to identify resources at a higher level. To do this, agencies need to have a mechanism for finding resources to support new or experimental ideas or concepts. These mechanisms will be agency-specific. Some agencies may look at garnering areas of underspend; others may consider imposing an innovation dividend on areas of expenditure to establish a specific fund or allocation. Large activities or trials may require a new policy proposal.
- Depending on these considerations, agencies could consider creating a centrally held fund available from which teams could competitively bid for the purposes of evaluating, trialling and implementing innovative solutions. This would provide a clear statement of the agency's support for innovative activity and ensure that some innovative approaches are attempted.

### **Innovation advisory teams or flying squads**

- Just as many agencies have areas that coordinate procurement and the provision of other advice, agencies could consider giving the task of coordinating innovation advice to an identified team. The team could offer support to areas undertaking new innovative projects, giving advice on the appropriate tools, barriers and considerations for the situation, strengthening the business case, connecting innovators with possible sponsors, and providing links to others who may have encountered similar issues or problems in their own innovation processes.
- This team could manage or aid many of the functions identified in the toolkit, such as the ideas management system and reporting of innovation; developing and managing experimental spaces; and reporting to senior management on blockers or framework issues that are inhibiting the innovation process. It could also act as a liaison point with other agencies, and as a coordination point for sharing lessons, ideas and strategies.
- The innovation team could be tasked with looking at any new practices or processes introduced into an agency and reporting to the agency executive on how those processes may affect the incentive for staff to innovate (for example, the possible effect of a new reporting requirement and possible options for mitigating any adverse effects on the agency's innovation potential).
- The form the team takes, and its specific duties, need to be tailored to the organisation's situation and needs. Its duties might range from merely providing advice and guidance to running the organisation's ideas management processes. The team's form might range from a couple of people undertaking the role in conjunction with other work through to a dedicated team focused solely on the agency's innovative activity.

- The innovation team should not be seen as the sole area responsible for innovation within the organisation. Indeed one team cannot be the sole area responsible for innovation. To achieve a supportive culture, innovation needs to be a responsibility distributed throughout the entire organisation and embedded in day-to-day activities. However, particularly in the early stages of an innovation drive within an organisation, it is likely that there will be a real benefit in having an area that can manage the support and advice functions and coordinate the innovation drive.

### **Innovation values**

- In fostering a culture of innovation, agencies can consider how innovation fits with their corporate values. While there is often some scepticism about the use of explicit 'values' documents, where such documents exist it is helpful to have innovation included in them. The clear articulation of encouragement for innovation as a core value of the organisation should reinforce the innovation strategy set out above.
- Such values are even more beneficial if they can be clear about the level of permission that staff have to be innovative. This can link back to the strategy and where innovation is and is not expected.

### **Competitions and prizes**

- One option open to agencies for generating good solutions for particular problems they are facing is through the use of competitions that seek and reward superior innovations in a given field. Competitions and prizes can be used internally or externally, for problems large or small, and from the short term to the longer term.
- They are best used for targeted and specific problems or challenges where the issues can be clearly articulated and where the agency is comfortable with a more open-ended process than traditional procurements.

### **Innovation markets**

- Agencies may also want to consider investigating or participating in innovation markets to obtain innovative solutions to specific problems. Such markets allow agencies to use their procurement to foster innovative solutions. The InnoCentive site [www.innocentive.com](http://www.innocentive.com) is an example of an attempt to create a competitive market for innovative ideas. Organisations can publish their problems on the InnoCentive website along with a fixed financial reward and get responses from a large community (claimed to be 180 000+ members) of 'Solvers' who may be able to provide a solution. InnoCentive manages the submission process as well as all related intellectual property processes.
- The nature of the products or services being sought is much more open-ended than in a conventional procurement process, and the audience for markets such as InnoCentive is likely to be more inclined to radical and innovative thought.

## Calling for ideas

- As noted, organisations can source many ideas and solutions internally. While many innovative ideas will already be circulating within agencies, an explicit call for innovative ideas is important in demonstrating the importance of innovation to the agency and emphasising that it values the ideas of staff and stakeholders.
- Various suggestion schemes have been tried by agencies, with the aim of establishing a manageable and constructively focused channel for ideas. Calls for ideas can be focused by linking them to specific problems facing the agency or according to specific themes. Doing this can help to channel innovative ideas and help manage the number of ideas that will come forward. This also fits in with having a clear strategy for innovation and innovation priorities.

## Ideas management systems

- If ideas are going to be asked for, then they need to be managed, tracked in some way, and have progress or action against them monitored. Not doing so runs the risk of cynicism when ideas are swallowed with no apparent response. This requires a process or system for vetting ideas and responding to the originator.
- Agencies should consider introducing formal ideas management systems. Such systems can take a range of forms, but their value is increased if they can be transparent and peer reviewable and record the agency's response to a proposal. If done well, such systems can play a significant role in filtering ideas—for example, by allowing other staff members to assess proposals and narrow the field of those regarded as priorities. The case study on the Department of Agriculture, Fisheries and Forestry's I-Gen in Appendix 5 provides an example of one such system.
- The ideas management system might seek to record lessons from implementation or insights about why a particular innovation did not work, thereby informing future ideas.
- Agencies might look to finessing their ability to handle internal suggestions before actively asking external parties for ideas. It will take time to develop the necessary management skills and to hone a system that passes the cost–benefit test. It is likely to be better to test this out internally first.
- This does not guarantee that external parties will wait—the growing use of Web 2.0 tools and moves to a citizen-centric approach are increasing expectations that agencies will respond to external support regardless of whether they are ready for it.

### **Innovation jams**

- Agencies may wish to consider one successful approach to collaborative innovation—the jam. Pioneered by IBM at the turn of the century, jams are akin to focused online brainstorming sessions that can be scaled to include as many participants as needed. The online venue helps to overcome the influence of dominant personalities and deference to senior opinion, providing every participant with an equal say on ideas that are put forward. A specific theme or themes can be established to focus suggestions on critical topics and keep discussion on strategically significant areas.

### **Innovation tournaments**

- Another option open to agencies for filtering ideas is to use an innovation tournament (Terwiesch and Ulrich 2009). Because there are many ideas and only some of them are going to be appropriate, effective and feasible, one of the most valuable tools an agency can have is a means to filter and select ideas. In an innovation tournament, a mass of ideas is progressively filtered via a series of competitions to narrow down the potential opportunities. It is a means of trying to select the best ideas with the most potential.
- The different rounds use different criteria. This approach works best if there is clear agreement about what the most important set of criteria is, which is likely to be determined by the organisation's strategy and associated priorities.
- If such a process is used, it should be factored into the design and parameters of any ideas management system that is introduced.

### **Mechanisms of challenge**

- Establishing a process through which the agency's ways of operating can be challenged and raised with senior management opens doors to innovation and change.
- This should not be a process that undermines existing routes of appeal, as that would reduce support for and damage the innovation drive.
- Such a process could be facilitated by agencies having someone who can play the role of an 'innovation provocateur'.
- This tool is compatible with the ideas management system and agencies, where possible, should try to integrate these two mechanisms.
- Building on the Tax Issues Entry System example (discussed in Appendix 5), agencies may wish to investigate the merits of opening such a process up to clients, stakeholders and citizens to stimulate innovation and to remove barriers to innovation.

## Engagement and collaboration

- Innovation flourishes in an environment of openness and collaboration. Strengthening engagement with citizens, clients and stakeholders can boost the innovative potential of the organisation substantially. Significant innovation can be achieved by working with those groups to identify the main problems or issues and the user/client perspective on them. Their involvement is also very important in developing innovative solutions. This can range from a full process of co-creation to more traditional consultations.
- Engagement with service delivery partners is another important source of key input and ideas. The partners will have insights into policy and service design.
- Apart from tapping into the innovative potential of staff as set out above, staff should be encouraged to be involved in relevant networks such as communities of practice, and agencies should look to support communities of practice within their own fields.

## Experimental spaces

- A promising approach to engagement on specific problems is through the use of experimental spaces.
- Creating an experimental space for innovation is a means to both encourage innovation and to reduce the associated risks. If an activity is clearly identified as experimental, expectations of its success are managed and, indeed, allows for clearer and easier permission to fail. Such spaces or programs should have clear guidelines and operating frameworks. They are more likely to be effective if given specific projects or problems to investigate.
- Experimental spaces can take a number of forms and will vary between contexts. For example, in the IT industry there is the concept of sandboxing. The sandbox is a testing environment in which experimentation can occur without affecting the production environment.
- Opportunities exist for agencies to collaborate with each other in such spaces to work on cross-agency problems.
- Experimental spaces may be particularly useful for the co-creation of innovations with stakeholders, clients and citizens. They allow for a more open approach to testing new ideas without the innovation being seen as having official endorsement.
- Agencies may otherwise wish to look at areas where they are already receiving criticism and in which it is considered to be failing. The risks of innovating in those areas are likely to be less, even if not 'safe'.

### **Procurement and outsourced service delivery**

- Procurement processes can be a very effective means to encourage innovation if they are designed and implemented with that aim in mind. They should focus on reducing the prescriptiveness of requests, and on identifying and clarifying the problem or the need to be addressed. This approach may include investigating the use of knowledge markets or tools such as competitions for difficult problems.
- It may also be worth agencies investigating how to allow flexibility and room for innovation for providers of services on the agency's behalf. This can be as simple as asking potential service providers whether there is anything in the current approach that stops them from being innovative.

### **Idea selection**

- Agencies need to consider how they are going to best filter the ideas that they receive and select those to attempt. One of the central principles for this should be the agency's external engagement in determining what the central problems are, and thus where priority effort should be directed.
- The process for doing this should link into the agency's executive decision-making mechanisms. Care is needed if it is made a side function of an existing committee. For example, an employee or workforce relations committee would not be an appropriate setting because of the inherent potential for conflict and the risk of conflating innovation with other organisational issues.
- The ideas selection process can be assisted by designing the ideas management system to accommodate it.
- Those involved in selecting the ideas will need the necessary judgment and experience to assess the ideas and critique them.
- There should still be a capacity to act on innovative ideas that arise outside of such a process and have demonstrable benefits. The system needs to be flexible and able to take appropriate advantage of new opportunities.

### **Emphasising uncertainty**

- It is helpful to emphasise the uncertainties that an initial implementation of an innovation, such as a pilot or experiment, is trying to address. As with a scientific experiment, what is it that will be discovered by the innovation? How will it combat a problem the agency is facing? An innovation process does not have to succeed to reduce uncertainty, just as a failed experiment can tell scientists what does not work or what is not 'true'. The results of the innovation process—what was learned and how it will aid future endeavours—should be proactively and appropriately communicated.

## Stage-gate systems

- There could be benefit in the use of a stage-gate system for large innovation processes, as illustrated by the Rapid Prototyping, Development and Evaluation Program case study in Appendix 5. This should have senior management buy-in and agreement.
- For those areas in which uncertainty is greatest, identifying appropriate milestones may be difficult. In those circumstances, it may be helpful to instead define the milestone by referring to what failure would look like. In some areas dealing with complex problems, there might not be one ‘right’ answer. In such circumstances it may be easier to get agreement on what failure is, rather than on what success will be.

## Pilots and trials

- Pilot programs and trials are another valuable way to test innovations. In some situations agencies may be able to identify a small trial community or environment, take measurements before and after the implementation of a new policy or program, and compare the data. Pilots and trials can reduce the risks associated with implementing a policy by establishing its effectiveness at a lower cost, with a more or less explicit admission that it might or might not be continued.
- A caveat is that a successful pilot does not mean that the associated implementation tasks of integrating it into a mainstream service are reduced (Osborne and Brown 2005, p. 197). Care should also be taken not to use the language of pilot if it has already been determined that the innovation will be introduced regardless.
- Randomised policy trials are an evolution of pilot programs, adapting the randomised trial methodology of modern medical trials to government policy development. Trial groups are run alongside ‘control’ groups, and the two are alike in all respects except for the trial itself. Randomised policy trials overcome the major problems of pilot programs by establishing a greater level of robustness in the evaluation method (see, for example, Leigh 2003).

## Early wins

- For agencies that are starting a new focus on innovation, there is value in concentrating early efforts in innovation on less risky projects with a greater likelihood of succeeding. A series of early wins can be very important in reinforcing the agency’s innovation effort, as well as in building internal and external support for future innovations.
- The same is true for individual innovations, if an agency can identify small steps where progress can be made and results achieved. This can be complemented by stage-gate thinking using identified milestones.

## Sustaining innovation

- If an innovation is successful, an agency should examine how it can be integrated and embedded into the organisation's operations. Often, it will be necessary to work to sustain a new idea or way of working, and not assume that it will continue of its own accord once it has been implemented. Resistance to it may take time to mobilise, or the innovation may falter after its champion or sponsor moves on.
- The below offers some guidance on approaches to help embed an innovation.

### Approaches to the sustainability of public service innovations

- Choose visible goals for the innovation that you know will be met early on and which will reinforce to staff its effectiveness.
- Create organizational subsystems to support the innovation after its initial introduction and which do not rely on one or two individuals alone for their sustenance.
- Ensure a wide spectrum of organizational staff and stakeholders receive credit from the innovation.
- Take personal responsibility for mistakes rather than blaming them on, and discrediting, the innovation.
- Provide regular 'breathers' for staff to catch up with the pace of change and assimilate the implications of the innovation for themselves.
- Ensure that an innovation-friendly culture is engendered and which exists beyond the initial period of innovation, and which can allow lessons to be learned and further innovations to be engendered.
- Provide an evaluation mechanism from the outset which is about learning positive lessons and supporting innovation, rather than being negatively oriented and concerned with blaming individuals for mistakes.

Source: Osborne and Brown (2005, p. 211).

## Measuring and reporting

- Without measurement, it is hard to judge the success of an organisation's innovation effort. Some possible process indicators for organisations to consider include:
  - staff perceptions of innovation, including through use of the question 'Is your agency innovative?'
  - *State of the Service Report* agency responses to questions on innovation
  - impacts achieved from innovations—what has occurred that would not have occurred without an innovation?

- innovation activities that have failed and been discontinued, and what they have taught the organisation
  - areas of reduced uncertainty—what has the innovation taught the organisation about the field in which it was attempted or implemented?
  - narrative case studies of how innovation has improved outcomes
  - a range of process measures, possibly facilitated by the use of an ideas management system with a reporting capability.
- Successful innovations should be identified and celebrated. Writing successes up as case studies can be a valuable means of capturing and sharing insights.
  - Agencies should report on their larger individual innovations. This will assist in codifying lessons and diffusing innovations to other agencies, as well as in promoting innovation within the agency.
  - Mapping networks to see where innovations have and have not come from and to identify any possible areas of weakness can also be informative.

### **Evaluation**

- Rigorous evaluation of innovative projects is necessary to reap their value. Evaluation outcomes should be recorded and lessons codified for future projects.
- Evaluations can usefully be linked to or stored in an agency's ideas management system.
- In its own right, evaluation is an important source of innovation opportunities and valuable information. It should be encouraged more broadly and structured into service and policy proposals so that it is a key deliverable from the outset.

### **Promotion**

- Innovative approaches can be promoted through a range of communication channels. This could be done by encouraging innovation champions to speak with other agencies or with stakeholders about the innovation and its impacts. It might be by preparing case studies (for example, as showcases of innovation within the organisation) and making them available on a website.
- Case studies and other real-world examples can be a powerful tool for demonstrating what can be achieved by the public sector, and also an important source of inspiration for those looking for new ideas. A demonstration of the fact that 'someone else has already made it work' can also be valuable when constructing a compelling business case.
- Such approaches will reinforce the message that innovation is valuable, aid the diffusion of ideas, and help tell the story of how the organisation is addressing its challenges and serving its clients.

## Awards

- Successful innovations can be nominated for various awards, such as the Prime Minister's Award for Excellence in Public Sector Management, those of the Commonwealth Association for Public Administration and Management and the United Nations, and the agency's own awards for staff. Awards not only provide recognition for innovation, but also information that can inform future innovators.
- The criteria for any internal awards for innovation could consider situations where an innovation process has not gone to plan, but where valuable lessons were learnt and captured as a basis for future efforts.
- Some agencies may wish to be as brave as recognising 'honourable failures' — examples where a project has not succeeded but where its innovative potential meant it deserved to be tried and where significant lessons have been learnt that will allow the agency to avoid similar future failure.
- Where an innovation is recognised with an award, it should be written up into a case study to codify lessons and insights and to help communicate the context to assist in possible adoption in another area.

## APPENDIX 5: ADDITIONAL CASE STUDIES

---

### ERGON ENERGY INNOVATION AND IDEAS FORUM

Ergon Energy's Innovation and Ideas Forum is an intranet-based ideas management system that brings together ideas from Ergon's 4500 employees across Queensland. Staff are invited to submit innovative ideas related to Ergon's strategic goals, and those ideas are then published on the intranet and open to comment by all staff.

'Ideas coaches' help staff to develop their ideas on the basis of that feedback and, where appropriate, help to identify potential sponsors at the management level for formal backing for their ideas.

Since its initiation in 2007, the Innovation and Ideas Forum has generated 414 ideas, of which 326 led to further activity, ranging from internal discussion to full implementation.

### RAPID PROTOTYPING, DEVELOPMENT AND EVALUATION PROGRAM

The Rapid Prototyping, Development and Evaluation Program (known as RPDE or 'Rapid') is a 'skunkworks'<sup>7</sup> joint initiative between the Department of Defence and an open group of industry partners. Its primary task is to produce innovative solutions to complex battlefield capability problems that are presented to it by the department. The work is undertaken collaboratively, and Defence and industry personnel work in a shared environment.

#### Structure

Organisationally, RPDE is a business unit of Defence's Capability Development Group, but in practice it is operated by its industry members as much as by Defence. RPDE has an advisory board comprising 10 industry representatives (from member companies) and four Defence personnel. Although the board is advisory insofar as it cannot override departmental direction, in practice it is responsible for a range of matters, such as strategy and policy, stakeholder management and the appointment of a general manager.

Membership of RPDE is open to any Australian company that can demonstrate relevance to the defence industry and an ongoing research and development capability. Members provide a range of resources to RPDE, including the personnel, equipment and facilities necessary for each of RPDE's projects. By the end of 2009, RPDE had nearly 200 member companies.

---

<sup>7</sup> Skunkworks: a product development program established outside the normal processes, premises or both, to expedite it or keep it secret.

### **Work undertaken**

Work—usually characterised as a question or a problem—is assigned to RPDE by a departmental steering group.

The steering group specifies whether RPDE is to deliver a full ‘prototype’ solution or a report that outlines a number of possible solutions. Work is progressed in stages—the steering group reviews each project at stage gates, considering progress against the intended goals before approving any funding for the next stage.

### **Funding**

RPDE receives a small budget for its day-to-day operation, and work projects are funded individually by Defence. The overall cost of each project is estimated as part of the first stage, and following funding is contingent upon a positive review at the preceding stage gate.

### **Value proposition**

For Defence, the value of RPDE lies in complex problems being solved better and faster. The advantage for Defence is that RPDE taps into the resources and know-how of many companies (including their intellectual property) to deliver industry-best solutions.

For companies, membership of RPDE provides access to key Defence decision-makers and insight into Defence’s strategic direction, as well as access to the intellectual property developed by RPDE projects. Direct involvement in an RPDE project can provide important development opportunities for seconded staff, while also showcasing the talent and resources of their employers.

### **Risk and responsibility**

There is explicit and up-front recognition by Defence that RPDE may not be able to develop a feasible solution to a problem despite an investment of time and resources. The value of such ‘failure’ is twofold:

- It probably involves the sort of work that companies would not tender for individually due to its difficulty, so the alternative to using RPDE is failure to find a solution.
- A relatively small investment and a negative outcome at this point can prevent a much larger investment in an approach that turns out to be unworkable.

## DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY

### What is I-Gen?

I-Gen (Innovation Generation) is a system in the Department of Agriculture, Fisheries and Forestry to manage innovative ideas. It includes:

- a support network of innovation enthusiasts
- a single repository for innovative ideas generated within the department
- a set of tools to convert ideas into projects and outcomes
- a mentor support system for proponents of ideas
- high-level support and encouragement of the hub and an innovation culture in the department.

I-Gen is supported by a working group of people from all levels of the department (primarily non-SES levels). The group acts as a support and coordination team to facilitate the development of innovative ideas.

The proponent of an idea is encouraged to stay with it and drive it towards implementation. Voluntary mentors are available to support the proponent through this process.

### How did it come about?

I-Gen started in response to a need to improve business innovation. Several iterations of a pilot system have been trialled for the past three years.

The Deputy Secretary of the Biosecurity Services Group (a group of divisions within the department) is a key supporter but, importantly, the initiative has not been imposed on staff by the executive.

### How does it work?

I-Gen provides a way to encourage and support people to progress their ideas.

Proposals are generated and captured in a single shared virtual space (SharePoint) using a standard proposal template. The template is easy to complete and links into departmental guidelines and processes. It also links to a mentoring / informal support network.

The I-Gen working group gives support to innovators, such as in completing the template, seeking specialist advice (for example, technical or financial advice), aligning the idea to existing corporate objectives, building partnerships and collaborations, and seeking mentors if they are needed. Mentors can be found informally or chosen from a list of voluntary mentors in certain areas of interest. The support and advice of the mentor are important in guiding the proponent in the development of the idea.

The system also provides transparency. Many ideas will not be implemented for a variety of valid reasons, such as timing, limited resources, inappropriate context or other constraints. However, justifications for decisions to approve or not approve the progression of an idea are recorded and made visible through reporting. Non-approved ideas are not lost, but remain within the system for potential re-evaluation, modification or application in the future.

### **How has I-Gen worked and how do we measure success?**

I-Gen supports the development of ideas without imposing onerous administrative processes. It captures a range of information, such as how many ideas were submitted, how many were approved, how many were not approved and why, which areas within the agency the ideas came from, and what improvements and efficiencies were produced. A working group will provide an annual review of innovation in the department to the Executive Management Team and Secretary.

Recognition of the work people do is critical to I-Gen. An innovation award for excellence has been developed to link with other departmental recognition processes.

## APPENDIX 6: THE THREE HORIZONS FRAMEWORK

---

During consultations, it was suggested that the public sector adopt the Three Horizons framework (Baghai et al. 1999) for future planning. The framework was originally developed as a strategic tool for private organisations to assess their future growth and where that growth is most likely to come from. Future growth tends to impact on organisations in unpredictable ways. This can drive innovation by the organisation to meet and absorb those impacts, while simultaneously making the most of the new opportunities.

While this entire model cannot be directly transferred to public organisations, the concepts addressed in the framework can be applied to the public sector. The amended version below assists agencies to articulate their future strategic objectives along with their innovation priorities, challenges and timelines.

Tailored to the public sector, the Three Horizons approach would be:

- Horizon 1—What is core business for the agency? What is needed to conduct it now and what areas could be simplified, reduced or stopped with additional improvements and innovation?
- Horizon 2—What are emerging areas of work for the agency? What resources and capabilities will be needed to address those areas and in what timeframe? Are any of the emerging work areas likely to drive innovation change and, if so, what are the innovation priorities?
- Horizon 3—Looking to the future, what are the big issues or opportunities? Are there achievable innovation outcomes that could reduce the uncertainty or risk of those future issues?

*How can something be a top priority if it isn't an integrated part of a company's core processes and of the leadership's strategic agenda and—above all—behaviour? (Barsh et al. 2008, p. 39)*

Scenario planning is a technique strongly related to the Three Horizons approach. It is usually used for more detailed planning in the short to medium term. In developing organisational strategies, scenario planning would mostly be used to frame the resource and support requirements for innovation. It is a tool that takes the speculative outcomes of Three Horizon analysis and expresses them in concrete terms—for example, as human and material resource requirements.

## APPENDIX 7: MECHANISMS OF CHALLENGE

---

In a whole-of-government context, the Review of the National Innovation System defined a mechanism of challenge as:

*... a process by which agencies within government, and also firms outside it, [are] able to challenge established practices, administrative arrangements, or regulation which obstructs beneficial innovation'. (Cutler 2008, p. 134)*

Traditionally, appeals against government practices have been limited to the legal system or instruments such as the Administrative Appeals Tribunal. A mechanism of challenge offers potential for an institutionalised process through which parties can identify barriers and impediments to innovation and ask that they be examined. This gives the relevant public body the opportunity to proactively and transparently address concerns, and either amend the offending practice or state why the practice cannot be changed. Such a mechanism can take a range of forms and can be a powerful tool in addressing issues that are blocking or hindering potentially valuable innovation.

One limited type of mechanism of challenge that has been trialled in the Australian public sector is the Tax Issues Entry System.

## **Tax Issues Entry System (TIES)**

### *What is TIES?*

The Tax Issues Entry System (TIES) is a website (<http://www.ties.gov.au>) that gives people the opportunity to raise issues relating to the care and maintenance of the Australian Government's tax and superannuation systems in a transparent way. Care and maintenance issues include making sure that the existing law operates in the way it was intended, by correcting technical or drafting defects, removing anomalies and addressing unintended outcomes. A working group of the Board of Taxation provides private sector input to the analysis and prioritisation of TIES issues, and the website notes that possible law changes will be subject to the government's other legislative priorities.

### *How has it worked?*

Since its establishment in November 2008, TIES has had more than 70 issues raised, primarily by members of the tax professional community. As a pilot, the system has not been promoted widely beyond that community, although it is accessible to the wider public. Messages about TIES have also been careful to state clearly what TIES is for, so that stakeholders are aware that it cannot address everything. However, it encourages people who are unsure whether their issue is covered 'to submit it and we will advise you if it can be dealt with through TIES'. Some out-of-scope issues have been raised, but that is not necessarily a negative and can provide useful information nonetheless.

### *What is its future?*

The Board of Taxation is to review the operation of TIES after 12 months of operation.

TIES is a carefully structured and limited example of a mechanism of challenge. The legislative and policymaking process can never be expected to be perfect, with every consequence known and considered in advance. However, as shown by the TIES example, it is possible to construct a process through which interpretation and implementation can be constructively questioned. It is also important to have a process through which ideas can be filtered and prioritised.

The British Government has established the Better Regulation Executive, which asks for ideas and submissions on reducing the impacts of regulation. This is done through a simple web-based form that citizens, the public sector, the private sector and the 'third' or community sector can use to raise issues. The issues are logged and responded to transparently, including by stating any reasons why something cannot proceed.

*Regulation has a key role to play, making sure essential protections stay in place. Regulation protects virtually every aspect of our lives and it's difficult to imagine a world without it. Imagine life without traffic rules on the road, or a country where children are still sent to work. However we can protect without placing unnecessary burdens. By taking a proportionate and risked-based approach to regulation, government is improving the way it works with businesses.*

*We want to hear all your suggestions for how we can simplify, rationalise and even scrap regulations that are out of date, unnecessary—or just provide too much red tape for businesses and the public. For example, rationalising similar regulations or reducing requests for information. Also please tell us how regulation directly impacts on your organisation.*

*From the Better Regulation Executive<sup>8</sup>*

Another website funded by the British Government is <http://www.publicexperience.com> which is a mechanism of access as much as one of challenge. The site allows people to share their experience of public services and ideas about how they could be improved by asking the question 'Wouldn't it be better if...?' This allows people unsure of which body is responsible for the relevant service to submit their experiences anyway. Experiences posted on the site are sent to the United Kingdom Cabinet Office, which then sends them to the Innovators Council. The council champions innovation in public services and is a forum for people to make suggestions for reform and challenge thinking in public service design and delivery (UK Cabinet Office 2010).

Mechanisms of challenge can also operate internally in an organisation to give staff an opportunity to question internal practices that are seen as blocking innovation. Shell's Gamechanger Program is an example from the private sector.

Gamechanger is a formalised process that invites employees, suppliers and even members of the public to make proposals via a website to improve the company's operations. Proposals are assessed by a small team that reports directly to the CEO and has access to 10 per cent of Shell's R&D budget. This provides a check on the ability of middle management to block the development of new ideas. Those proposing ideas that are assessed as promising are invited to meet relevant company officials within two weeks of their submission.

---

<sup>8</sup> See <http://www.betterregulation.gov.uk>

One way of structuring an internal mechanism of challenge is to integrate it into an ideas management system. While the system is normally run on the basis of existing organisational structures, it can also be used to disrupt those structures by establishing alternative pathways for ideas. A mechanism of challenge might provide staff with a different point of approval for an idea that has been blocked by the conventional approval chain, or it might help to expose one business area's good ideas to others.

Care should be taken so that a mechanism of challenge process, either internal or external, is not used to undermine legitimate reporting or appeal structures and processes, or used simply as a medium for complaint.

## ACRONYMS AND ABBREVIATIONS

---

ACT	Australian Capital Territory (jurisdiction)
ANAO	Australian National Audit Office
APS	Australian Public Service (collective term for the public service body at the federal level)
APSC	Australian Public Service Commission
CPGs	<i>Commonwealth Procurement Guidelines</i>
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FOI Act	<i>Freedom of Information Act 1982</i>
MAC	Management Advisory Committee
NFPs	not-for-profit organisations
NPM	New Public Management
OECD	Organisation for Economic Co-operation and Development
PM&C	Department of the Prime Minister and Cabinet
SES	Senior Executive Service

## BIBLIOGRAPHY

---

- ABS (Australian Bureau of Statistics) (2009a). *Australian system of national accounts*, cat. no. 5204.0, ABS.
- ABS (Australian Bureau of Statistics) (2009b). 'ABS Animated Population Pyramid' [http://betaworks.abs.gov.au/betaworks/betaworks.nsf/projects/population%20pyramids/frame\\_2.htm](http://betaworks.abs.gov.au/betaworks/betaworks.nsf/projects/population%20pyramids/frame_2.htm) (accessed 18 January 2009).
- ABS (Australian Bureau of Statistics) (2009c). *Using innovation, science and technology statistics: innovation, information and communication technology (ICT) statistics glossary*, ABS, <http://www.abs.gov.au/websitedbs/c311215.nsf/20564c23f3183fdaca25672100813ef1/c49fb25ed58f2ec4ca25702f001eeaaa!OpenDocument>.
- Altshuler A (1997). 'Bureaucratic innovation, democratic accountability, and political incentives', in Altshuler A and Behn RD (eds), *Innovation in American government: challenges, opportunities, and dilemmas*, Brookings Institution Press, Washington DC, 38–67.
- Altshuler A and Zegnans MD (1997). 'Innovation and public management: notes from the State House and City Hall', Altshuler A and Behn RD (eds), *Innovation in American government: challenges, opportunities, and dilemmas*, Brookings Institution Press, Washington DC, 68–80.
- ANAO (Australian National Audit Office) (2009). *Innovation in the public sector: enabling better performance, driving new directions*, ANAO, Canberra.
- APSC (Australian Public Service Commission) (2007a). *Changing behaviour: a public policy perspective*, Contemporary Government Challenges series, APSC, Canberra.
- APSC (Australian Public Service Commission) (2007b). *Tackling wicked problems: a public policy perspective*, Contemporary Government Challenges series, APSC, Canberra.
- APSC (Australian Public Service Commission) (2008). *State of the service report*, State of the service series, 2007-08, APSC, Canberra.
- APSC (Australian Public Service Commission) (2009a). *Smarter policy: choosing policy instruments and working with others to influence behaviour*, Contemporary Government Challenges series, APSC, Canberra.
- APSC (Australian Public Service Commission) (2009b). *State of the service report*, State of the service series 2008-09, APSC, Canberra.
- APSC (Australian Public Service Commission) (2009c). *Policy implementation through devolved government*, Contemporary Government Challenges series, APSC, Canberra.

APSC (Australian Public Service Commission) (2009d). *Delivering performance and accountability*, Contemporary Government Challenges series, APSC, Canberra.

Arundel A and O'Brien K (2009). 'Innovation metrics for Australia', in *Innovation metrics framework: consolidated report*, Department of Innovation, Industry, Science and Research, Canberra, 11–134.

AusIndustry (2009). *Green Car Innovation Fund customer information guide*, AusIndustry, <http://www.ausindustry.gov.au/Manufacturing/GreenCarInnovationFund/Documents/GCIF%20Customer%20Information%20Guide-Oct%202009.pdf>.

Baghai M, Coley S and White D (1999). *The alchemy of growth: kickstarting and sustaining growth in your company*, McKinsey & Company, Inc, Orion Business, London.

Banks G (2009). *Challenges of evidence-based policy-making*, Contemporary Government Challenges series, Australian Public Service Commission and Productivity Commission.

Bardach E (2008). 'Developmental processes: a conceptual exploration', in Borins S (ed.), *Innovations in government: research, recognition, and replication*, Ash Institute for Democratic Governance and Innovation, John F Kennedy School of Government, Harvard University – Brookings Institution Press, Washington DC, 113–137.

Barsh J, Capozzi MM and Davidson J (2008). 'Leadership and innovation', *The McKinsey Quarterly*, January 2008, 37–47.

Behn RD (2008). 'The adoption of innovation: the challenge of learning to adapt tacit knowledge', in Borins S (ed.), *Innovations in government: research, recognition, and replication*, Ash Institute for Democratic Governance and Innovation, John F Kennedy School of Government, Harvard University – Brookings Institution Press, Washington DC, 138–158

Bhatta G (2003). '“Don't just do something, stand there!” Revisiting the issue of risks in innovation in the public sector', *The Innovation Journal*, 8(2).

Borins S (2006). *The challenge of innovating in government*, 2nd edition, IBM Center for the Business of Government, [http://www.businessofgovernment.org/publications/grant\\_reports/search\\_awards/index.asp?Description=Innovation](http://www.businessofgovernment.org/publications/grant_reports/search_awards/index.asp?Description=Innovation)

Borins S (2008). 'Introduction', in Borins S (ed.), *Innovations in government: research, recognition, and replication*, Ash Institute for Democratic Governance and Innovation, John F Kennedy School of Government, Harvard University – Brookings Institution Press, Washington DC.

- Borins S (2009). 'Analyzing innovation narratives', <http://www.pmranet.org/conferences/OSU2009/papers/Borins,%20Sanford.%20%20Analyzing%20Innovation%20Narratives.pdf>.
- Bourgon J (2008). 'The future of public service: a search for a new balance', keynote address to the 2008 IPAA National Conference, *The Australian Journal of Public Administration*, 67(4):390–404.
- Braue D (2009). 'Vic Govt limited Google's bushfire map', ZDNet.com.au, <http://www.zdnet.com.au/vic-govt-limited-google-s-bushfire-map-339294916.htm>.
- Buurman M, Dur R and Van den Bossche S (2009). 'Public sector employees: risk averse and altruistic?' Institute for the Study of Labor (IZA) discussion paper no. 4401, <http://ftp.iza.org/dp4401.pdf>.
- CCMD (Canadian Centre for Management Development) (2002). *Organizing for deliberate innovation: a toolkit for teams*, CCMD Roundtable on the Innovative Public Service.
- Considine M, Lewis JM and Alexander D (2009). *Networks, innovation and public policy: politicians, bureaucrats and the pathways to change inside government*, Palgrave Macmillan.
- Cooper RG (1990). 'Stage-Gate Systems: A New Tool for Managing New Products', in *Business Horizons*, 33(May-June):44-54.
- CPSI (Centre for Public Service Innovation) (2008). 'A pocket guide to innovation in the South African public sector', <http://www.cpsi.co.za/publications.php>
- CPSI (Centre for Public Service Innovation) (2009). 'Overview of the CPSI', <http://www.cpsi.co.za/overview.php>.
- Cross R and Thomas RJ (2009). *Driving results through social networks: how top organizations leverage networks for performance and growth*, Jossey–Bass, San Francisco.
- Cutler T (2008). *Venturous Australia: building strength in innovation*, Commonwealth of Australia, Canberra.
- DITR (Department of Industry, Tourism and Resources) (2006). *Collaboration and other factors influencing innovation novelty in Australian business*, Commonwealth of Australia, Canberra.
- Dodgson M, Gann D and Salter A (2005). *think, play, do: technology, innovation, and organization*, Oxford University Press, Oxford.
- DoFD (Department of Finance and Deregulation) (2008). *Commonwealth Procurement Guidelines*, DoFD, Canberra.

Eggers WD (2009). 'From conflict to collaboration: lessons in networked governance from the Federal Cooperative Conservation Initiative', in Goldsmith S and Kettl DF (eds), *Unlocking the power of networks: keys to high performance government*, Brookings Institution Press, Washington DC, 15–33.

Eggers WD and Singh SK (2009). *The public innovator's playbook: nurturing bold ideas in government*, Deloitte Research, [http://www.deloitte.com/dtt/cda/doc/content/dtt\\_ps\\_innovatorsplaybook\\_100409.pdf](http://www.deloitte.com/dtt/cda/doc/content/dtt_ps_innovatorsplaybook_100409.pdf).

European Commission (2008). 'The future of the internet: a compendium of European projects on ICT research supported by the EU 7th Framework Programme for RTD' [http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item\\_id=1537](http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=1537).

Eurostat (2009). *Top general government expenditure* dataset, code TEC00023.

Ferreira M, Farah S and Spink P (2008). 'Subnational government innovation in a comparative perspective: Brazil', in Borins S (ed.), *Innovations in government: research, recognition, and replication*, Ash Institute for Democratic Governance and Innovation, John F Kennedy School of Government, Harvard University – Brookings Institution Press, Washington DC, 71–92.

Fraser M and Dutta S (2008). *Throwing sheep in the boardroom: how online social networking will transform your life, work and world*, John Wiley & Sons Ltd, Chichester, West Sussex.

Fung A (2008). 'Citizen participation in government innovations', in Borins S (ed.), *Innovations in government: research, recognition, and replication*, Ash Institute for Democratic Governance and Innovation, John F Kennedy School of Government, Harvard University – Brookings Institution Press, Washington DC, 52–70.

García-Goñi, M (2008). 'The adoption and diffusion of technological and organizational innovations in a Spanish hospital', in Windrum P and Koch P (eds.), *Innovation in public sector services: entrepreneurship, creativity and management*, Edward Elgar Publishing Limited, Cheltenham, 89–117.

Goldsmith S and Eggers WD (2004), *Governing by network: the new shape of the public sector*, Brookings Institution Press, Washington DC.

Government 2.0 Taskforce (2009). *Engage: getting on with government 2.0*, <http://www.finance.gov.au/publications/gov20taskforcereport/index.html>.

Hall M and Holt R (2008). 'New Public Management and cultural change: the case of UK public sector project sponsors as leaders', in Windrum P and Koch P (eds.), *Innovation in public sector services: entrepreneurship, creativity and management*, Edward Elgar Publishing Limited, Cheltenham, 21–40.

- Halligan J and Wills J (2008). *The Centrelink experiment: innovation in service delivery*, ANU E-Press, Canberra.
- Hannon V (2009). 'Next up: Putting practitioners and users at the centre of innovation in the public services', occasional paper no. 1, State Services Authority, <http://www.ssa.vic.gov.au/CA2571410025903D/0/64181564207FA152CA257569007A3F2A?OpenDocument>.
- Hansen MT and Birkinshaw J (2007). 'The innovation value chain', *Harvard Business Review*, June 2007.
- Hartley J (2008). 'Does innovation lead to improvements in public services? Lessons from the Beacon Scheme in the United Kingdom', in Borins S (ed), *Innovations in government: research, recognition, and replication*, Ash Institute for Democratic Governance and Innovation, John F Kennedy School of Government, Harvard University – Brookings Institution Press, Washington DC, 159–187.
- Harvard Business Press (2009). *The innovator's toolkit: 10 practical strategies to help you develop and implement innovation*, Harvard Business School Publishing, Boston.
- Herbert F (1972). *Whipping star*, NEL Books, London.
- Jarvis J (2009). *What would Google do?* Collins Business, New York
- Kamarck E (2004). 'Government innovation around the world', Ash Institute for Democratic Governance and Innovation, John F Kennedy School of Government, Harvard University, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=517666](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=517666)
- Kastelle T (2009). 'My boss won't let me', <http://timkastelle.org/blog/2009/10/my-boss-wont-let-me/> (accessed 26 October 2009).
- Kelman S (2008). 'The "Kennedy School School" of research on innovation in government', in Borins S (ed), *Innovations in government: research, recognition, and replication*, Ash Institute for Democratic Governance and Innovation, John F Kennedy School of Government, Harvard University – Brookings Institution Press, Washington DC, 28–51.
- Kettl DF (2009). 'The key to networked government', in Goldsmith S and Kettl DF (eds), *Unlocking the power of networks: keys to high performance government*, Brookings Institution Press, Washington DC, 1–14.
- Koch P, Cunningham P, Schwabsky N and Hauknes J (2006), *Innovation in the public sector: summary policy and recommendations*, Publin report no. D24, NIFU Step, Oslo.
- Lafley AG and Charan R (2008). *The game-changer: how every leader can drive everyday innovation*, Profile Books Ltd, London.

Lafley AG, with an introduction by Charan R (2008). 'P&G's innovation culture', in *Strategy + Business*, Booz & Company Inc, 28 August, , <http://www.strategy-business.com/media/file/enews-08-28-08.pdf>.

Leigh A (2003). 'Randomized policy trials', *Agenda* 10: 341-354.

Li C and Bernoff J (2008). *Groundswell: winning in a world transformed by social technologies*, Harvard Business Press, Boston.

Miller K (2009). 'Frustrated by an unchangeable agency? Change anyway—the 10 paradoxical commandments of government', <http://www.governing.com/column/frustrated-unchangeable-agency-change-anyway>.

Milward HB and Raab J (2009). 'Dark networks and the problem of Islamic Jihadist terrorism', in Goldsmith S and Kettl DF (eds), *Unlocking the power of networks: keys to high performance government*, Brookings Institution Press, Washington DC, 168–189.

Moore MH (2009). 'Networked government: survey of rationales, forms, and techniques', in Goldsmith S and Kettl DF (eds), *Unlocking the power of networks: keys to high performance government*, Brookings Institution Press, Washington DC, 190–227.

Moran T (Secretary of the Department of Prime Minister and Cabinet) (2009). Address to the Institute of Public Administration at University House, Canberra, 15 July, [http://www.dpmc.gov.au/media/speech\\_2009\\_07\\_15.cfm](http://www.dpmc.gov.au/media/speech_2009_07_15.cfm).

Mulgan G (2007). 'Ready or not? Taking innovation in the public sector seriously', NESTA (National Endowment for Science, Technology and the Arts), [http://www.nesta.org.uk/publications/provocations/assets/features/ready\\_or\\_not\\_taking\\_innovation\\_in\\_the\\_public\\_sector\\_seriously](http://www.nesta.org.uk/publications/provocations/assets/features/ready_or_not_taking_innovation_in_the_public_sector_seriously).

Mulgan G and Albury D (2003). 'Innovation in the public sector', working paper version 1.9, Strategy Unit, United Kingdom Cabinet Office, [http://www.cabinetoffice.gov.uk/strategy/work\\_areas/innovation.aspx](http://www.cabinetoffice.gov.uk/strategy/work_areas/innovation.aspx).

NAO (National Audit Office) (2009). *Innovation across central government: report by the comptroller and auditor general*, The Stationary Office.

National Academy of Public Administration (2009). 'Enabling collaboration: three priorities for the new administration', January, <http://www.scribd.com/doc/11644716/Enabling-Collaboration-Three-Priorities-for-New-Administration>.

Noveck SB (2009). *Wiki government: how technology can make government better, democracy stronger, and citizens more powerful*, Brookings Institution Press, Washington DC.

- Osborne D and Plastrik P (2000). *The reinventor's fieldbook: tools for transforming your government*, Jossey-Bass, San Francisco.
- Osborne SP and Brown K (2005). *Managing change and innovation in public service organizations*, Routledge, London.
- Osborne SP and Brown L (2009). 'Innovation, public policy and public services delivery in the UK. The word that would be king?', unpublished paper.
- Parsons W (2006). 'Innovation in the public sector: spare tyres and fourth plinths', *The Innovation Journal: The Public Sector Innovation Journal*, 11(2), <http://www.innovation.cc/peer-reviewed/parsons20innovate202a.pdf>.
- Patterson F, Kerrin M, Gatto-Roissard G and Coan P (2009). *Everyday innovation: how to enhance innovative working in employees and organisations*, research report, National Endowment for Science, Technology and the Arts, United Kingdom.
- Petris S (2009). 'The nature of strategy in the public sector', occasional paper no. 7, State Services Authority, <http://www.ssa.vic.gov.au/CA2571410025903D/0/64181564207FA152CA257569007A3F2A?OpenDocument>.
- Pfeffer M (2009). 'So what's new? Innovation versus novelty in human services delivery', occasional paper no. 6, State Services Authority, <http://www.ssa.vic.gov.au/CA2571410025903D/0/64181564207FA152CA257569007A3F2A?OpenDocument>.
- PM&C (Department of the Prime Minister and Cabinet) (2009). *Reform of Australian Government administration: building the world's best public service*, discussion paper, [http://www.dpmc.gov.au/consultation/aga\\_reform/discussion\\_paper.cfm](http://www.dpmc.gov.au/consultation/aga_reform/discussion_paper.cfm).
- Posner P (2009). 'Networks in the shadow of government: the Chesapeake Bay Program', in Goldsmith S and Kettl DF (eds), *Unlocking the power of networks: keys to high performance government*, Brookings Institution Press, Washington DC, 62–94.
- Potts J (2009) 'The innovation deficit in public services: The curious problem of too much efficiency and not enough waste and failure', *Innovation: management, policy and practice*, 11(1):34–43.
- Prahalad CK and Krishnan MS (2008). *The new age of innovation: driving co-created value through global networks*, McGraw-Hill, Sydney.
- Productivity Commission (2007). *Public support for science and innovation*, Productivity Commission.
- Productivity Commission (2009). *Contribution of the not-for-profit sector*, draft research report, Productivity Commission, [http://www.pc.gov.au/\\_\\_data/assets/pdf\\_file/0007/91717/not-for-profit-draft.pdf](http://www.pc.gov.au/__data/assets/pdf_file/0007/91717/not-for-profit-draft.pdf).

Rizvi G (2008a). 'Foreword', in Borins S (ed), *Innovations in government: research, recognition, and replication*, Ash Institute for Democratic Governance and Innovation, John F Kennedy School of Government, Harvard University – Brookings Institution Press, Washington DC.

Rizvi G (2008b). 'Innovations in government: serving citizens and strengthening democracy', in Borins S (ed), *Innovations in government: research, recognition, and replication*, Ash Institute for Democratic Governance and Innovation, John F Kennedy School of Government, Harvard University – Brookings Institution Press, Washington DC, 188–198.

Rogers M (1998). 'The definition and measurement of innovation', working paper no. 10/98, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, <http://www.melbourneinstitute.com/wp/wp1998n10.pdf>.

Rudd K (Prime Minister) (2009). John Paterson Oration to Australia and New Zealand School of Government Annual Conference, Canberra, 3 September, [http://www.financeminister.gov.au/speeches/2009/sp\\_20091019.html](http://www.financeminister.gov.au/speeches/2009/sp_20091019.html).

Saint-Onge H and Wallace D (2003). *Leveraging communities of practice for strategic advantage*, Elsevier Science, Burlington.

Schrage M (2000). *Serious play: how the world's best companies simulate to innovate*, Harvard Business School Press, Boston.

Sharp D and Salomon M (2008). 'User-led innovation: a new framework for co-creating business and social value', Smart Internet Technology Cooperative Research Centre, Swinburne University of Technology, <http://www.apo.org.au/node/16958>.

Shirky C (2008). *Here comes every-body: the power of organizing without organizations*, Allen Lane, Camberwell.

Skarzynski P and Gibson R (2008). *Innovation to the core: a blueprint for transforming the way your company innovates*, Harvard Business Press, Boston.

Staley L (2008). 'Evidence-based policy and public sector innovation', Institute of Public Affairs.

Staro\_ová K and Malíková L (2008). 'Learning to innovate in a transition country: developing quality standards for elderly residential care in Slovakia', in Windrum P and Koch P (eds), *Innovation in public sector services: entrepreneurship, creativity and management*, Edward Elgar Publishing Limited Cheltenham, 208–225.

Tanner L (Minister for Finance and Deregulation) (2009). Speech at Government 2.0 Conference, Hyatt Hotel, Canberra, 19 October, [http://www.financeminister.gov.au/speeches/2009/sp\\_20091019.html](http://www.financeminister.gov.au/speeches/2009/sp_20091019.html).

Tapscott D (2009). *Grown up digital: how the net generation is changing your world* McGraw-Hill Books, New York.

Taylor WC and LaBarre P (2006). *Mavericks at work: why the most original minds in business win*, HarperCollins, New York.

Terwiesch C and Ulrich KT (2009). *Innovation tournaments: creating and selecting exceptional opportunities*, Harvard Business Press, Boston.

Thornton G (2009). 'Innovation: the key to future success?', [www.grantthornton.com](http://www.grantthornton.com), [http://www.gt.com/staticfiles/GTCom/GTI/Innovation\\_-\\_Global\\_focus\\_Sep\\_09\\_FINAL.pdf](http://www.gt.com/staticfiles/GTCom/GTI/Innovation_-_Global_focus_Sep_09_FINAL.pdf)

Tindal S (2009). 'Rees opens govt data to developers', [ZDNet.com.au](http://www.zdnet.com.au), <http://www.builderau.com.au/news/soa/Rees-opens-govt-data-to-developers/0,339028227,339298306,00.htm>.

United Nations (2006). *Innovations in governance and public administration: replicating what works*, Department of Economic and Social Affairs, publication no. ST/ESA/PAD/SER.E/72.

UK Cabinet Officer (2010) 'Role of the Council', <http://www.hmg.gov.uk/innovation/background.aspx>.

US Government (2009a). 'Open Government Innovations Gallery', <http://www.whitehouse.gov/open/innovations/>.

US Government (2009b). 'A strategy for American innovation: driving towards sustainable growth and quality jobs', [http://www.whitehouse.gov/assets/documents/SEPT\\_20\\_\\_Innovation\\_Whitepaper\\_FINAL.pdf](http://www.whitehouse.gov/assets/documents/SEPT_20__Innovation_Whitepaper_FINAL.pdf).

Van de Ven A, Polley DE, Garud R and Venkataraman S (2008). *The innovation journey*, Oxford University Press, New York.

Van Leeuwen SM (2007). 'Innovation in the Western Australian state public sector', doctoral thesis, Graduate School of Business, Curtin University of Technology, [http://espace.library.curtin.edu.au/R/?func=dbin-jump-full&object\\_id=17156&local\\_base=GEN01-ERA02](http://espace.library.curtin.edu.au/R/?func=dbin-jump-full&object_id=17156&local_base=GEN01-ERA02).

Windrum P (2008a). 'Innovation and entrepreneurship in public services', in Windrum P and Koch P (eds) 2008 *Innovation in public sector services: entrepreneurship, creativity and management*, Edward Elgar Publishing Limited, Cheltenham, 3–20.

Windrum P (2008b). 'Conclusions: public innovation and entrepreneurship', in Windrum P and Koch P (eds), *Innovation in public sector services: entrepreneurship, creativity and management*, Edward Elgar Publishing Limited, Cheltenham, 228–243.



Australian Government