Innovating the Public Sector: from Ideas to Impact

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Building Organisational Capacity for Public Sector Innovation

Executive Summary

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BUILDING ORGANISATIONAL CAPACITY FOR PUBLIC SECTOR INNOVATION

EXECUTIVE SUMMARY[1]

Governments are seeking to innovate: in how they work, in the services they provide and how they provide them, and in how they interact with citizens, businesses and civil society. These changes are being driven by different forces, including a more globalised and networked world, rising citizen expectations, new technologies, increasingly complex problems facing governments and – particularly since the 2008 economic crisis – tight budgets. Whatever the reason, the consensus seems clear: public sector organisations need new ways of working.

OECD framework for analysing public sector innovation

Drawing on recent experiences in national and sub-national governments, as well as lessons from the past, the OECD has developed a framework for analysing public sector innovation. This framework looks at the organisational factors that can encourage – or hinder – innovation. First, it identifies four levels that must be considered when addressing innovation: 1) the individual innovator, 2) the organisation in which he or she operates, 3) the public sector as a whole and 4) society. The organisational factors affecting these different levels are then grouped under four themes: knowledge and learning, organisational culture, rules and processes, and organisational design. Both the levels and factors are interlinked, and the borders between them are not always clear-cut. It is important to look at them as an integrated system. This framework can guide future research, and forms the basis for the OECD "Innovation Imperative: A Call to Action".

Generating and sharing ideas

The flow of information is essential for generating new ideas, and how data and knowledge are managed and shared within an organisation can support or inhibit innovation. Public sector organisations need systems to gather and manage information produced both internally and externally, including data on their own finances and overall performance, individuals' knowledge and ideas, information on the needs and demands of users, ideas from outside their organisations, etc. Increasingly, governments are using social media and crowdsourcing to interact with the public more directly, and actively seek citizens' input on how to improve public services.

It is not enough just to gather data, however; organisations must also be able to use that information to make changes – to become learning organisations. Knowledge management can help, but it is important that the organisational culture supports continuous learning. It is also crucial to share information to increase its innovative potential, and to help spread ideas and promising practices across organisations. Open Government Data and "big data" initiatives offer both new sources of public sector information and new ways to share it with people and firms outside of the public sector, who may, in turn, use it to come up with new ideas, services or products.

Empowering the workforce to innovate

The cultural dimension of the framework looks at how to motivate and encourage people to innovate. While pay does not seem to be an important motivator of innovation in the public sector, other extrinsic rewards such as recognition, career advancement, special assignments and competitions may play a role.

Intrinsic factors such as seeing the value and impact of one's work, and learning new skills, can also be a strong incentive. Human resources management practices that integrate such motivating factors can help create an environment that encourages innovation. However, the informal incentives embedded in an organisation's "culture" may be even more important, including relationships within hierarchies, the approach to teamwork, and the tolerance of experimentation and failure. Traditionally, the public sector tends to be averse to risk, but being innovative implies a certain amount of trial and error. Leaders and supervisors set the tone, and their support for and commitment to innovation is crucial.

Adapting rules and processes to foster innovation

The complex set of laws, rules and procedures that govern the public sector may have unintended effects that hinder innovation. Just as they have simplified administrative processes for businesses, governments may want to examine regulations inside government to eliminate overlapping and contradictory rules, to clarify acceptable practices, and to ensure that legislation does not needlessly limit or discourage potential innovation.

Similarly, policies governing how financial and human resources are allocated can make it difficult or costly for an organisation to invest in innovation or share resources with others to achieve common objectives. Some fiscal consolidation measures may also reduce the capacity to innovate, even as countries seek ways to improve productivity and efficiency. Allowing ministries or agencies a certain level of resource flexibility is one way for government to support innovation.

Countries are exploring new approaches to project management that involve citizens, users and staff in decision making. These new approaches focus on the desired outcome and then adapt processes to achieve it, rather than building a service around existing organisational structures. They rely on collaboration across organisations and sectors, and often use pilot testing, experimental design and prototyping. While these approaches minimise risk by allowing innovations to be adjusted before being implemented on a large scale, they do require a greater degree of flexibility than many public organisations are accustomed to.

Reviewing organisational design

Governments today face problems that are increasingly complex, multi-dimensional and interrelated. To tackle challenges such as energy sustainability or youth unemployment, they must draw on the expertise and resources of a broad range of people and organisations from the public, private and voluntary sectors and academia. Identifying these different sources of knowledge and finding ways for them to collaborate means rethinking how organisations are designed and how work is managed. To encourage networks and collaborative working, countries are experimenting with flexibility staffing systems that allow people to be moved to specific projects, and with new leadership responsibilities that cut across different policy domains.

Such flexibility and collaboration can be difficult to achieve, especially within traditional organisational structures and human resource management frameworks. Clear communications, prior agreements (including on financial arrangements) and representative steering committees can make different parties more willing to work together. Governments are also finding new ways to work with citizens, the private sector and civil society to "co-design" public services. Innovation labs to tackle specific problems, social impact bonds to fund new services, and "collaborative commissioning" to co-design service contracts are some examples of these new partnership approaches.

Finally, to truly transform public services, it is also important to stop providing services that are not effective, difficult as that may be, to free up resources to develop new, more effective ones.
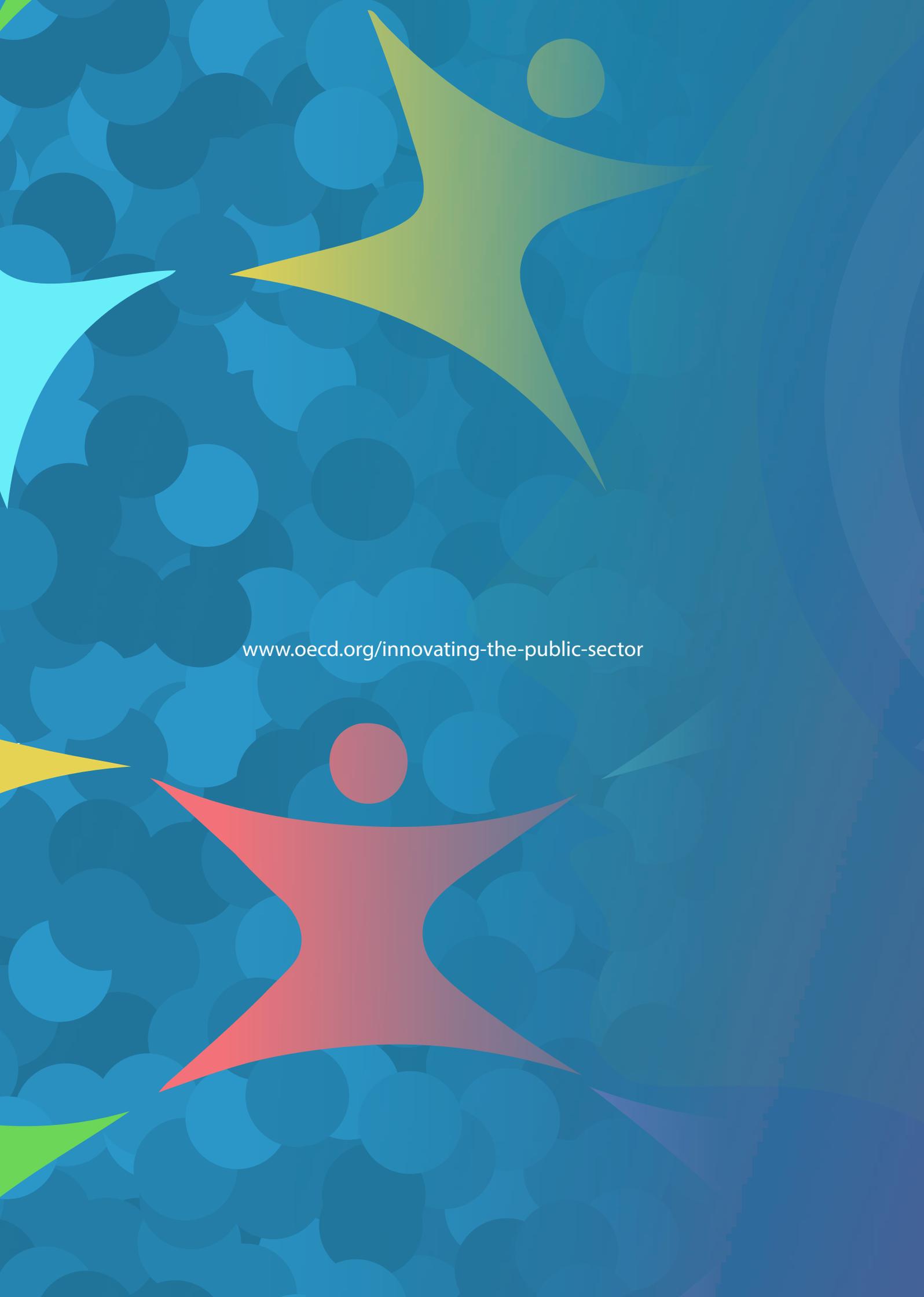
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